

**EPISCOPAL MISSION SOCIETY
AND AFFILIATES**

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED
JUNE 30, 2009 AND 2008***

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Episcopal Mission Society and Affiliates
New York, New York

We have audited the accompanying combined statements of financial position of Episcopal Mission Society and Affiliates (the Society) as of June 30, 2009 and 2008, and the related combined statements of activities, cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Society at June 30, 2009 and 2008 and the combined changes in their net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information on Pages 21 to 25 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

February 5, 2010

EPISCOPAL MISSION SOCIETY AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2009	2008
Cash and cash equivalents	\$ 461,265	\$ 98,223
Governmental agency receivables, net of allowance for uncollectible accounts of \$451,732 and \$324,892 in 2009 and 2008, respectively	4,301,513	5,007,524
Pledges receivable, net of allowance for doubtful pledges of \$90,000 and \$30,000 in 2009 and 2008, respectively	104,850	498,951
Prepaid expenses	415,162	376,745
Investment securities	10,314,270	12,796,695
Property and equipment, net	7,582,234	7,209,964
Other assets	246,013	235,865
Total assets	\$ 23,425,307	\$ 26,223,967

LIABILITIES AND NET ASSETS

Liabilities:		
Notes and mortgages payable	\$ 7,821,583	\$ 5,952,815
Accounts payable	1,687,068	2,206,621
Accrued pension expense	2,292,255	1,223,229
Accrued expenses	2,541,598	2,322,469
Due to governmental agencies	592,270	312,671
Deferred income	90,000	
Total liabilities	14,934,774	12,107,805
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	3,473,326	3,623,156
Cumulative pension related changes	(1,693,782)	341,128
Board designated	2,669,317	5,946,425
	4,448,861	9,910,709
Temporarily restricted	56,947	220,728
Permanently restricted:		
Endowment	3,936,496	3,936,496
Life income	48,229	48,229
	3,984,725	3,984,725
	8,490,533	14,116,162
Total liabilities and net assets	\$ 23,425,307	\$ 26,223,967

The accompanying notes are an integral part
of these financial statements.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES

	Year ended June 30, 2009				Year ended June 30, 2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:								
Private support:								
Grants and contributions	\$ 527,474	\$ 31,450	\$	\$ 558,924	\$ 676,931	\$ 220,000	\$	\$ 896,931
Bequests	14,065			14,065	461,152			461,152
Total private support	541,539	31,450		572,989	1,138,083	220,000		1,358,083
Program fees:								
Parent fees	263,700			263,700	214,350			214,350
Governmental support:								
Contracts and grants	28,571,425			28,571,425	27,923,791			27,923,791
Medicaid	9,667,308			9,667,308	9,559,441			9,559,441
Total governmental support	38,238,733			38,238,733	37,483,232			37,483,232
Other support, revenue and (expenses):								
Investment income (loss), net	(2,072,671)	113,316		(1,959,355)	(303,800)	101,471		(202,329)
Private and network income	102,425			102,425	110,789			110,789
Other revenue	318,902			318,902	383,171			383,171
Total other support, revenue and (expenses)	(1,651,344)	113,316		(1,538,028)	190,160	101,471		291,631
Net assets released from restriction	308,547	(308,547)			282,240	(282,240)		
Total support and revenue	37,701,175	(163,781)		37,537,394	39,308,065	39,231		39,347,296
Expenses:								
Program services:								
Foster boarding homes	9,509,520			9,509,520	8,721,405			8,721,405
Group homes	1,512,445			1,512,445	1,620,426			1,620,426
Intermediate care facilities	6,965,247			6,965,247	6,717,687			6,717,687
Medicaid programs	2,287,409			2,287,409	2,226,782			2,226,782
Early childhood, preventive and other	16,369,212			16,369,212	16,784,312			16,784,312
Total program services	36,643,833			36,643,833	36,070,612			36,070,612
Supporting services:								
Management and general	4,360,287			4,360,287	3,915,170			3,915,170
Fundraising and public relations	806,249			806,249	790,057			790,057
Total supporting services	5,166,536			5,166,536	4,705,227			4,705,227
Total expenses	41,810,369			41,810,369	40,775,839			40,775,839
Change in net assets before pension adjustments	(4,109,194)	(163,781)		(4,272,975)	(1,467,774)	39,231		(1,428,543)
Curtailment gain on freezing of defined benefit pension plan in 2008					1,138,951			1,138,951
Pension related changes other than net periodic pension cost	(1,352,654)			(1,352,654)	(248,238)			(248,238)
Change in net assets	(5,461,848)	(163,781)		(5,625,629)	(577,061)	39,231		(537,830)
Net assets, beginning of year	9,910,709	220,728	3,984,725	14,116,162	10,487,770	181,497	3,984,725	14,653,992
Net assets, end of year	\$ 4,448,861	\$ 56,947	\$ 3,984,725	\$ 8,490,533	\$ 9,910,709	\$ 220,728	\$ 3,984,725	\$ 14,116,162

The accompanying notes are an integral part of these financial statements.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,625,629)	\$ (537,830)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	744,500	698,520
Pension related changes other than net periodic pension costs	1,352,654	248,238
Curtailment gain on freezing of defined benefit pension plan		(1,138,951)
Realized and unrealized loss on investments	2,187,608	435,772
Allowance for uncollectible accounts	126,840	224,892
Allowance for doubtful pledges	60,000	30,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Governmental agency receivables	579,171	(845,827)
Pledges receivable	334,530	679,308
Prepaid expenses	(38,846)	136,346
Other assets	(10,147)	(11,691)
Increase (decrease) in:		
Accounts payable	(519,553)	683,391
Accrued pension expense	(283,628)	191,559
Accrued expenses	219,129	(51,123)
Deferred income	(90,000)	90,000
Due to governmental agencies	279,599	4,468
Net cash provided (used) by operating activities	<u>(683,772)</u>	<u>837,072</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,080,427)	(646,731)
Sales of investment securities	3,800,581	7,550,742
Purchases of investment securities	<u>(3,505,765)</u>	<u>(8,434,806)</u>
Net cash used by investing activities	<u>(785,611)</u>	<u>(1,530,795)</u>
Cash flows from financing activities:		
Drawdown on overdraft facility	588,605	100,859
New borrowings	1,425,000	5,000,000
Repayments of principal	<u>(181,180)</u>	<u>(5,174,010)</u>
Net cash provided (used) by financing activities	<u>1,832,425</u>	<u>(73,151)</u>
Increase (decrease) in cash and cash equivalents	363,042	(766,874)
Cash and cash equivalents, beginning of year	<u>98,223</u>	<u>865,097</u>
Cash and cash equivalents, end of year	<u>\$ 461,265</u>	<u>\$ 98,223</u>

Supplemental Cash Flow Information

Cash paid for:		
Interest	<u>\$ 344,385</u>	<u>\$ 341,103</u>

Supplemental Schedule of Investing and Financing Activities

Acquisition of vehicle with note payable	<u>\$ 36,343</u>	<u>\$</u>
Disposition of obsolete assets	<u>\$ 1,641,415</u>	<u>\$</u>

The accompanying notes are an integral part
of these financial statements.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2009 and 2008

	Program services										Total	
	Foster boarding homes		Group homes		Intermediate care facilities		Medicaid programs		Early childhood preventive and other		2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Employee salaries	\$ 2,994,639	\$ 2,647,792	\$ 948,418	\$ 1,005,087	\$ 4,040,257	\$ 4,018,818	\$ 1,070,237	\$ 867,381	\$ 9,295,095	\$ 9,082,962	\$ 18,348,646	\$ 17,622,040
Employee fringe benefits	724,069	625,656	203,549	237,477	865,722	934,822	231,237	203,614	1,828,057	1,993,400	3,852,634	3,994,969
	3,718,708	3,273,448	1,151,967	1,242,564	4,905,979	4,953,640	1,301,474	1,070,995	11,123,152	11,076,362	22,201,280	21,617,009
Transportation and workers' expense	125,358	103,137	11,762	11,210	96,314	92,069	1,940	1,818	98,591	114,214	333,965	322,448
Allowances, children and parents	25,818	53,160	13,370	15,563	2,974	4,003			164,268	118,862	206,430	191,588
Activities, children			16,334	19,184	25,592	31,868			359,438	128,852	401,364	179,904
Tutoring, children	55,078	53,229	4,981	2,720					49,293	31,352	109,352	87,301
Outside, camp fees					30,102	28,703			38,000	32,000	68,102	60,703
Medical supplies and equipment	300	50,413		6,480	40,162	30,488	188,760	264,664	51,076	205,406	280,298	557,451
Real estate taxes and assessments					375,431	357,227					375,431	357,227
Purchase of services	118,462	263,571	13,656	22,921	132,654	123,457	501,935	642,161	836,230	999,628	1,602,937	2,051,738
Food and clothing	24,873	34,916	56,170	56,059	205,043	184,223			277,006	244,707	563,092	519,905
Program and office supplies	105,343	58,341	45,755	27,976	129,875	125,076	43,289	11,255	363,016	424,345	687,278	646,993
Rent and space costs	287,751	236,512	52,075	38,351	750,292	479,351	90,959	84,956	736,233	787,410	1,917,310	1,626,580
Utilities	45,596	32,549	43,540	40,296	62,387	68,953	15,338	12,238	136,933	132,075	303,794	286,111
Repairs and maintenance	50,263	35,855	4,245	10,449	37,945	82,576	23,993	19,146	101,091	157,722	217,537	305,748
Telephone	55,780	39,157	8,911	14,875	46,134	53,631	7,535	5,134	130,741	149,253	249,101	262,050
Professional fees	353,301	266,669	15,498	16,810	21,594	22,879	3,066	16,357	67,259	179,817	460,718	502,532
Insurance	796					1,255			54,033	56,252	54,829	57,507
Interest and bank charges	142,171	144,488	15,797	2,623	16,084		38,056	40,144	18,331	35,194	230,439	222,449
Bad debt expense												
Depreciation	167,678	97,707	58,384	87,990	86,685	78,288	71,064	57,914	135,724	157,609	519,535	479,508
Sub-total expenses	5,277,276	4,743,152	1,512,445	1,616,071	6,965,247	6,717,687	2,287,409	2,226,782	14,740,415	15,031,060	30,782,792	30,334,752
Foster parent payments and stipends	3,729,220	3,543,466							1,584,057	1,730,837	5,313,277	5,274,303
Clothing payments	319,955	299,117									319,955	299,117
Special payments	183,069	135,670		4,355					44,740	22,415	227,809	162,440
Total foster parent payments	4,232,244	3,978,253		4,355					1,628,797	1,753,252	5,861,041	5,735,860
	\$ 9,509,520	\$ 8,721,405	\$ 1,512,445	\$ 1,620,426	\$ 6,965,247	\$ 6,717,687	\$ 2,287,409	\$ 2,226,782	\$ 16,369,212	\$ 16,784,312	\$ 36,643,833	\$ 36,070,612

The accompanying notes are an integral part of these financial statements.

EPISCOPAL SOCIAL SERVICES OF NEW YORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2009 and 2008

	Supporting services						Total program and supporting services	
	Management and general		Fundraising and public relations		Total		2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008
Employee salaries	\$ 1,717,016	\$ 1,095,267	\$ 337,051	\$ 307,794	\$ 2,054,067	\$ 1,403,061	\$ 20,402,713	\$ 19,025,101
Employee fringe benefits	364,649	260,009	61,732	78,320	426,381	338,329	4,279,015	4,333,298
	2,081,665	1,355,276	398,783	386,114	2,480,448	1,741,390	24,681,728	23,358,399
Transportation and workers' expense	8,178	6,926	261	65	8,439	6,991	342,404	329,439
Allowances, children and parents							206,430	191,588
Activities, children			13		13		401,377	179,904
Tutoring, children							109,352	87,301
Outside, camp fees							68,102	60,703
Medical supplies and equipment							280,298	557,451
Real estate taxes and assessments							375,431	357,227
Purchase of services	385,964	414,179	187,238	280,912	573,202	695,091	2,176,139	2,746,829
Food and clothing	14,764	26,598	898	1,023	15,662	27,621	578,754	547,526
Program and office supplies	224,764	162,129	83,271	74,236	308,035	236,365	995,313	883,358
Rent and space costs	331,029	367,829	8,531	5,651	339,560	373,480	2,256,870	2,000,060
Utilities	80,999	76,445			80,999	76,445	384,793	362,556
Repairs and maintenance	76,876	89,486	7,390	3,715	84,266	93,201	301,803	398,949
Telephone	133,844	109,155	3,890	335	137,734	109,490	386,835	371,540
Professional fees	167,378	263,064	55,974	38,006	223,352	301,070	684,070	803,602
Insurance	367,817	419,611			367,817	419,611	422,646	477,118
Interest and bank charges	135,204	135,568			135,204	135,568	365,643	358,017
Bad debt expense	126,840	269,892	60,000		186,840	269,892	186,840	269,892
Depreciation	224,965	219,012			224,965	219,012	744,500	698,520
Sub-total expenses	4,360,287	3,915,170	806,249	790,057	5,166,536	4,705,227	35,949,328	35,039,979
Foster parent payments and stipends							5,313,277	5,274,303
Clothing payments							319,955	299,117
Special payments							227,809	162,440
Total foster parent payments							5,861,041	5,735,860
	\$ 4,360,287	\$ 3,915,170	\$ 806,249	\$ 790,057	\$ 5,166,536	\$ 4,705,227	\$ 41,810,369	\$ 40,775,839

The accompanying notes are an integral part of these financial statements.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. Summary of significant accounting policies

This summary of significant accounting policies of Episcopal Mission Society (EMS) and its affiliates, Episcopal Social Services of New York, Inc. (ESS) and Sheltering Arms Day Care Services, Inc. (SADCS), collectively, the Society, is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

History and objectives of the Society

ESS and SADCS are membership organizations in which EMS is the sole member. EMS, ESS and SADCS are Section 501(c)(3) not-for-profit organizations, exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the IRC), and have been classified as organizations that are not private foundations under Section 509(a) of the IRC. EMS, ESS and SADCS are also exempt from state and local income taxes.

EMS holds the investment assets and supports the programs of ESS.

ESS provides services to children and families in the Metropolitan New York area, including foster boarding homes, group homes, special education and job training programs, as well as various other social service programs.

In September 2006, EMS acquired programs from Sheltering Arms Children's Service and created a new entity called Sheltering Arms Day Care Services, Inc. under which the newly acquired programs are operated. SADCS now operates therapeutic nursery, family daycare, center-based daycare, and universal pre-kindergarten programs in Manhattan and in Brooklyn.

Principles of combination

The combined financial statements include the accounts of EMS, ESS and SADCS. All material intercompany transactions have been eliminated in combination.

Basis of presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Society and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash consists of demand deposit accounts. The Society considers all highly liquid investments with initial maturity of three months or less to be cash equivalents.

Support and revenue

Contributions, including unconditional pledges, are recorded at fair value as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional pledges are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same accounting period the contribution is received, the Society reports the support as unrestricted.

Governmental support is reported in the year earned at net realized amounts for services rendered under reimbursement agreements. Rates under reimbursement agreements are subject to change based on subsequent review by funding agencies. Accordingly, contract support and grants are reported net of estimated retroactive adjustment of rates and may be adjusted in future periods, as final settlements are determined. Rate appeals may also be initiated by the Society; revenues from such appeals are recorded in the period such appeals are determined to be probable of collection.

Property and equipment

Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of gift, less accumulated depreciation. Property and equipment are depreciated on the straight-line basis over their estimated useful lives.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. Summary of significant accounting policies (continued)

Accounting for uncertain tax provisions

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 provides guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination.

On December 30, 2008, the FASB issued FSP FIN 48-3 that defers the application of FIN 48 for certain nonpublic entities to fiscal years beginning after December 15, 2008. The Society has elected not to defer the implementation of FIN 48. The Society has evaluated its tax positions for uncertainties under the guidelines of FIN 48, with respect to the financial statements as of and for the year ended June 30, 2009 and has determined that the liability created by the adoption of FIN 48 for uncertain tax positions does not have a material effect on the Society's financial position, result of operations or cash flows at June 30, 2009.

Fair value option for financial assets and financial liabilities

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115". SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Society adopted SFAS 159 on July 1, 2008 and did not elect the fair value option provisions for any of its financial assets or financial liabilities. However, consistent with SFAS No. 124, "Accounting for Certain Investments held by Not-for-Profit Organizations", the Society measures its investments in securities with readily determinable fair values in the statement of financial position.

Fair value measurements

Effective July 1, 2008, the Society adopted SFAS No. 157 ("SFAS 157"), "Fair Value Measurements" for investments (Note 5) which is effective for financial statements for fiscal years beginning after November 15, 2007, and interim periods within those years. In February 2008, the FASB issued FASB Staff Position 157-2 ("FSP 157-2"), "Effective date of FASB Statement No. 157", which permits the delayed application of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities other than those items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. Summary of significant accounting policies (continued)

Endowments

In August 2008, the FASB issued FSP FAS 117-1 ("FSP 117-1"), "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds", which is effective for financial statements issued for fiscal years ending after December 15, 2008. This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit Society that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires all not-for-profit Organizations with donor-restricted or board-restricted endowment funds to make extensive new disclosures about such funds regardless of whether the Society is subject to an enacted version of UPMIFA. As of June 30, 2009, New York State introduced, but has not adopted UPMIFA. The Society adopted FSP 117-1 during fiscal year ended June 30, 2009 (Note 9).

Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, and governmental and pledges receivable. The Society maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Concentration of credit risk with respect to receivables is limited due to the fact that contract receivables are mainly derived from governmental agencies and that pledge receivables are received from established foundations and have short payment periods.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

3. Pledges receivable

During the years ended June 30, 2009 and 2008, management estimated that approximately \$60,000 and \$30,000, respectively, of outstanding pledges may be uncollectible and established a general allowance for uncollectible pledges.

Pledges receivable are due as follows:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 14,100	\$ 440,701
One to five years	<u>180,750</u>	<u>88,250</u>
	194,850	528,951
Less allowance for uncollectable accounts	<u>90,000</u>	<u>30,000</u>
	<u>\$ 104,850</u>	<u>\$ 498,951</u>

4. Investment securities

Investment securities are stated at fair value and are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 208,254	\$ 208,254	\$ 374,418	\$ 374,418
Fixed income securities	4,133,840	4,383,892	4,399,904	4,529,292
Hedge funds	1,100,000	1,146,819	1,100,000	1,318,567
Equity securities	<u>5,199,338</u>	<u>4,575,305</u>	<u>5,868,528</u>	<u>6,574,418</u>
	<u>\$ 10,641,432</u>	<u>\$ 10,314,270</u>	<u>\$ 11,742,850</u>	<u>\$ 12,796,695</u>

The components of the Society's investment return are as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 301,260	\$ 334,106
Realized and unrealized loss on investments	(2,187,608)	(435,772)
Investment fees	<u>(73,007)</u>	<u>(100,663)</u>
	<u>\$ (1,959,355)</u>	<u>\$ (202,329)</u>

It is the Society's policy to net investment fees against the investment return.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

5. Fair value measurements

SFAS No. 157 "Fair Value Measurements" (FAS 157) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Society. The Society considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Society's perceived risk of that investment.

The Society holds one level 3 investment which consists of an investment in a hedge fund. The hedge fund has varying investment strategies, including domestic large and mid-cap equity, international equity, and long/short equity investments. The hedge funds can, but do not typically, use leverage.

The classification of the Society's investment securities at fair value are as follows at June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 205,254	\$	\$	\$ 205,254
Fixed income securities		4,383,892		4,383,892
Hedge funds			1,146,819	1,146,819
Equity securities	<u>4,575,305</u>			<u>4,575,305</u>
	<u>\$ 4,780,559</u>	<u>\$ 4,383,892</u>	<u>\$ 1,146,819</u>	<u>\$ 10,314,270</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Level 3</u>
Balance at June 30, 2008	\$ 1,318,567
Unrealized losses	<u>(171,748)</u>
Balance at June 30, 2009	<u>\$ 1,146,819</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

5. Fair value measurements (continued)

The classification of the Society's investment securities at fair value are as follows at June 30, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 374,418	\$	\$	\$ 374,418
Fixed income securities		4,529,292		4,529,292
Hedge funds			1,318,567	1,318,567
Equity securities	<u>6,574,418</u>			<u>6,574,418</u>
	<u>\$ 6,948,836</u>	<u>\$ 4,529,292</u>	<u>\$ 1,318,567</u>	<u>\$ 12,796,695</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Level 3</u>
Balance at June 30, 2007	\$ 1,249,820
Unrealized gain	<u>68,747</u>
Balance at June 30, 2008	<u>\$ 1,318,567</u>

6. Property and equipment

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 105,682	\$ 105,682
Buildings and improvements	7,357,818	7,209,010
Furniture and equipment	1,817,343	2,997,413
Leasehold improvements	2,841,074	3,125,750
Construction in progress	<u>805,799</u>	<u>14,432</u>
	12,927,716	13,452,287
Less accumulated depreciation	<u>5,345,482</u>	<u>6,242,323</u>
	<u>\$ 7,582,234</u>	<u>\$ 7,209,964</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

7. Notes and mortgages payable

Notes and mortgages payable consist of the following:

	<u>2009</u>	<u>2008</u>
Line of credit, in the amount of \$2,000,000, expiring February 27, 2010, with interest at one half (1/2%) percent per annum less than the bank's base rate. The line is collateralized by a pledge of certain securities owned by EMS.	\$ 1,900,000	\$ 1,000,000
Grid note in the amount of \$500,000, due on September 30, 2003, with interest at the 90 day LIBOR rate plus 250 basis points that had subsequently been extended through March 31, 2004, commencing on April 1, 2004, the note was converted to an interest bearing note at 5.14%, payable in monthly installments of \$2,083, including principal and interest. The interest rate on the note will be adjusted every three years beginning in March 2007 to the three year LIBOR rate plus 250 basis points. Any remaining unpaid principal will be due March 2024. The line is collateralized by a pledge of certain securities owned by EMS.	368,750	393,750
Mortgage loan agreement, secured by real property, dated January 7, 2009, bearing interest at 5.50%, per annum, payable in monthly installments of \$5,296, including principal and interest, through July 7, 2024.	525,000	
Notes payable, secured by vehicles, dated between August 2003 and February 2009, with varying interest rates, payable in monthly installments between \$550 and \$876, through February 2014.	43,655	48,098
On August 17, 2007, the Society obtained a \$4,500,000 twenty-year mortgage. The mortgage bears interest at 6.5%, per annum and is payable in monthly installments of \$33,551, including principal and interest.	4,294,713	4,410,108
Drawdown of overdraft facility	<u>689,465</u>	<u>100,859</u>
	<u>\$ 7,821,583</u>	<u>\$ 5,952,815</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

7. Notes and mortgages payable (continued)

Annual principal payments due during the next five years and in total thereafter under the aforementioned borrowing are approximately as follows:

Year ending June 30:	
2010	\$ 2,778,178
2011	197,010
2012	202,803
2013	213,991
2014	223,725
Thereafter	<u>4,205,876</u>
	<u>\$ 7,821,583</u>

8. Temporarily restricted net assets and net assets released from restrictions

Temporarily restricted net assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
College Fund	\$ 18,083	\$ 18,083
Hearst Foundation – after school programs		75,231
Rosie’s Kids – early childhood programs		20,000
Carnegie Foundation – time restricted		100,000
William C. Bullitt – after school programs	10,000	
Funds for Social Change – parent advocate	21,450	
Other – various	<u>7,414</u>	<u>7,414</u>
	<u>\$ 56,947</u>	<u>\$ 220,728</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. The net assets released from restriction for the years ended June 30, 2009 and 2008, were as follows:

	<u>2009</u>	<u>2008</u>
Starr Foundation – time restricted	\$	\$ 150,000
Hearst Foundation – after school programs	75,231	24,769
Rosie’s Kids – early childhood programs	20,000	
Carnegie Foundation– time restricted	100,000	
Other – various		6,000
Appropriation of endowment assets for expenditures	<u>113,316</u>	<u>101,471</u>
	<u>\$ 308,547</u>	<u>\$ 282,240</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

8. Temporarily restricted net assets and net assets released from restrictions (continued)

Temporarily restricted contributions, in the amount of \$236,110 and \$65,000 for the years ended June 30, 2009 and 2008, respectively, were received and related restrictions were met during the year ended June 30, 2009. It is the Society's policy to include such contributions as unrestricted on its statement of activities.

9. Endowments

The permanently restricted net assets consist of donor-restricted endowment funds. As required by accounting principals generally accepted in the United States of America, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Society is responsible for the long-term investment policies for donor-restricted endowment funds, unless otherwise specified by the donor. The Board of Directors has established a policy whereby 100% of average earnings on donor-restricted endowment funds is to be distributed each year to fund specific programs of the Society. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment return:				
Interest and dividend income	\$	\$ 113,316	\$	\$ 113,316
Realized and unrealized loss	(834,912)			(834,912)
Total investment return	(834,912)	113,316		(721,596)
Appropriation of endowment assets for expenditures		(113,316)		(113,316)
Net change	(834,912)			(834,912)
Endowment net assets, beginning of year	(134,051)		3,984,725	3,850,674
Endowment net assets, end of year	<u>\$ (968,963)</u>	<u>\$</u>	<u>\$ 3,984,725</u>	<u>\$ 3,015,762</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

9. Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment return:				
Interest and dividend income	\$	\$ 101,471	\$	\$ 101,471
Realized and unrealized loss	<u>(134,051)</u>			<u>(134,051)</u>
Total investment return	(134,051)	101,471		(32,580)
Appropriation of endowment assets for expenditures		<u>(101,471)</u>		<u>(101,471)</u>
Net change	(134,051)			(134,051)
Endowment net assets, beginning of year			<u>3,984,725</u>	<u>3,984,725</u>
Endowment net assets, end of year	<u>\$ (134,051)</u>	<u>\$</u>	<u>\$ 3,984,725</u>	<u>\$ 3,850,674</u>

10. Commitments and contingencies

Minimum annual rental commitments for the remaining term of the Society's noncancelable operating leases relating to office space is as follows:

Year ending June 30:	
2010	\$ 946,665
2011	931,525
2012	918,636
2013	886,495
2014	781,206
Thereafter	<u>864,640</u>
	<u>\$ 5,329,167</u>

Certain leases require additional payments based upon property tax and maintenance expense escalations. Aggregate rental expenses for office space and equipment for the years ended June 30, 2009 and 2008 amounted to \$2,207,685 and \$1,929,581, respectively.

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

11. Litigation

The Society is involved in litigation arising in the normal course of its operations. Management believes that the amount of losses that might be sustained beyond existing insurance coverage, if any, would not have a material effect on the accompanying financial statements.

12. Retirement plans

Clergy

The Society makes contributions to the Church Pension Fund, a church plan approved by the Internal Revenue Service (the IRS). The Plan is exempt from the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions are actuarially determined using the aggregate cost method.

The church plan is a multi-employer plan and contributions for all participating employees are pooled and held by an independent trustee for the purpose of providing retirement and other benefits for eligible employees. As of the beginning of the Plan year, the Plan's assets were in excess of the actuarially computed value of the vested benefits for all participating employers. The Society does not receive information from the Plan's administrators to determine its share of unfunded vested benefits, if any.

Contributions to the Plan for the years ended June 30, 2009 and 2008 were \$10,020 and \$4,500, respectively.

Other employees

The Society's pension plan (the Plan) provides for defined benefits for most full-time employees at a normal retirement age of 65 and five years of participation, or other benefits on the occurrence of certain other specific events. Substantially all employees are eligible, and the Plan is noncontributory. Contributions are made by the Society for employees who have completed more than six months of service. The Society funds contributions to the Plan in order to meet the minimum funding requirements under ERISA. Plan assets are invested primarily in money market funds and mutual funds.

Effective July 1, 1998, the Plan was amended to add a floor-offset arrangement feature. The Plan's benefit obligation has been reduced to reflect the actuarial equivalent benefit transferred to the Society's Definition Contribution Plan established to create the floor-offset arrangement feature. Expense for the Defined Contribution Plan for the years ended June 30, 2009 and 2008 was \$400,000 and \$361,082, respectively.

The Society adopted the provisions of Financial Accounting Standards Board Statement 158, Employer's Accounting for Defined Benefit Pension and Other Post Retirement Plans (as amended).

The following table provides further information about the Society's defined benefit pension plan:

	<u>2009</u>	<u>2008</u>
Fair value of Plan assets at June 30	\$ 4,095,956	\$ 4,724,448
Benefit obligation at June 30	<u>5,988,211</u>	<u>5,586,595</u>
Unfunded status	<u>\$ (1,892,255)</u>	<u>\$ (862,147)</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

12. Retirement plans (continued)

The following table provides information about the weighted average assumptions, employer contributions, the defined benefit plan's costs and benefits paid:

	<u>2009</u>	<u>2008</u>
Weighted average assumptions:		
Discount rate	6.25%	6.50%
Expected return on Plan assets	6.50%	6.50%
Rate of compensation increase	3.50%	3.50%
Benefit cost	\$ 45,784	\$ 29,502
Employer contributions	368,330	356,214
Benefits paid	299,936	211,522

Effective July 1, 2007, the Agency froze the defined benefit plan to new entrants as of June 30, 2008. During the year ended June 30, 2008, the curtailment resulted in a decrease of approximately \$1,100,000 in the projected benefit obligation.

Amounts recognized as changes in unrestricted net assets, but not yet included in net periodic benefit cost consists of at June 30:

	<u>2009</u>	<u>2008</u>
Beginning balance of cumulative pension related changes other than net periodic pension cost	\$ (341,128)	\$ (1,231,841)
Changes:		
Amortization gain		86,129
Curtailment gain on freezing of defined benefit plan		1,138,951
Liability gain (loss)	(346,548)	245,899
Asset loss	(1,006,106)	(580,266)
Net change	<u>(1,352,654)</u>	<u>890,713</u>
Ending balance of cumulative pension related changes other than net periodic pension cost	<u>\$ 1,693,782</u>	<u>\$ (341,128)</u>

The Society estimates future benefit payments, including future benefit accruals, are as follows:

Year ending June 30:	
2010	\$ 369,496
2011	386,147
2012	386,429
2013	425,974
2014	435,327
2015 - 2019	2,218,433

EPISCOPAL MISSION SOCIETY AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

12. Retirement plans (continued)

Expected contributions to the Plan for the year ending June 30, 2009 are approximately \$316,000.

In summation, accrued pension expense consists of the following at June 30:

	2009	2008
Defined benefit plan	\$ 1,892,255	\$ 862,147
Defined contribution plan	400,000	361,082
	\$ 2,292,255	\$ 1,223,229

13. Government grants and contracts

The Society operates under various contracts with government agencies which generally cover a one-year period, subject to annual renewals. The terms of these contracts allow the grantors the right to audit the costs incurred thereunder and adjust contract funding based upon the amount of program income received. Any costs disallowed by the grantor would be absorbed by the Society and any adjustments by grantors would be recorded when amounts are known, however, it is the opinion of management that disallowances, if any, would be immaterial and adjustments, if any, would not have a material adverse effect on the financial position of the Society.

14. Significant source of support and revenue

The Society received approximately 50% and 47% of its total support and revenue for the years ended June 30, 2009 and 2008, respectively, from the City of New York Administration for Children's Services.

15. Subsequent events

Subsequent events have been evaluated through February 5, 2010, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

EPISCOPAL MISSION SOCIETY AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2009

ASSETS

	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total
Cash and cash equivalents	\$ 143,291	\$ 39,450	\$ 278,524	\$	\$ 461,265
Governmental agency receivables, net of allowance for uncollectible accounts of \$451,732	4,094,739		206,774		4,301,513
Pledges receivable, net of allowance for doubtful pledges of \$90,000	104,850				104,850
Prepaid expenses	412,387	2,455	320		415,162
Investment securities		10,314,270			10,314,270
Property and equipment, net	7,582,234				7,582,234
Due from affiliate		4,726	133,822	(138,548)	
Other assets	237,737	4,971	3,305		246,013
	<u>\$ 12,575,238</u>	<u>\$ 10,365,872</u>	<u>\$ 622,745</u>	<u>\$ (138,548)</u>	<u>\$ 23,425,307</u>

LIABILITIES AND NET ASSETS (DEFICIENCY)

Liabilities:					
Notes and mortgages payable	\$ 7,821,583	\$	\$	\$	\$ 7,821,583
Accounts payable	1,482,797		204,271		1,687,068
Accrued pension expense	2,292,255				2,292,255
Accrued expenses	2,249,768		291,830		2,541,598
Due to governmental agencies	181,253		411,017		592,270
Deferred income					
Due to affiliate	138,548			(138,548)	
	<u>14,166,204</u>		<u>907,118</u>	<u>(138,548)</u>	<u>14,934,774</u>
Commitments and contingencies					
Net assets (deficiency):					
Unrestricted:					
Undesignated	45,869	3,680,074	(284,373)		3,441,570
Cumulative pension related changes	(1,693,782)				(1,693,782)
Board designated		2,701,073			2,701,073
	<u>(1,647,913)</u>	<u>6,381,147</u>	<u>(284,373)</u>		<u>4,448,861</u>
Temporarily restricted	56,947				56,947
Permanently restricted:					
Endowment		3,936,496			3,936,496
Life income		48,229			48,229
		<u>3,984,725</u>			<u>3,984,725</u>
	<u>(1,590,966)</u>	<u>10,365,872</u>	<u>(284,373)</u>		<u>8,490,533</u>
Total liabilities and net assets	<u>\$ 12,575,238</u>	<u>\$ 10,365,872</u>	<u>\$ 622,745</u>	<u>\$ (138,548)</u>	<u>\$ 23,425,307</u>

EPISCOPAL MISSION SOCIETY AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2008

ASSETS

	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total
Cash and cash equivalents	\$ 46,526	\$ 33,527	\$ 18,170	\$	\$ 98,223
Governmental agency receivables, net of allowance for uncollectible accounts of \$324,892	4,642,642		364,882		5,007,524
Pledges receivable, net of allowance for doubtful pledges of \$30,000	498,951				498,951
Prepaid expenses	375,996		749		376,745
Investment securities		12,796,695			12,796,695
Property and equipment, net	7,209,964				7,209,964
Due from affiliate		40,502		(40,502)	
Other assets	228,244	4,316	3,305		235,865
Total assets	\$ 13,002,323	\$ 12,875,040	\$ 387,106	\$ (40,502)	\$ 26,223,967

LIABILITIES AND NET ASSETS (DEFICIENCY)

Liabilities:					
Notes and mortgages payable	\$ 5,952,815	\$	\$	\$	\$ 5,952,815
Accounts payable	1,977,918		228,703		2,206,621
Accrued pension expense	1,223,229				1,223,229
Accrued expenses	2,110,301		212,168		2,322,469
Due to governmental agencies	254,648		58,023		312,671
Deferred income	90,000				90,000
Due to affiliate	1,016		39,486	(40,502)	
Total liabilities	11,609,927		538,380	(40,502)	12,107,805
Commitments and contingencies					
Net assets (deficiency):					
Unrestricted:					
Undesignated	830,540	2,943,890	(151,274)		3,623,156
Cumulative pension related changes	341,128				341,128
Board designated		5,946,425			5,946,425
	1,171,668	8,890,315	(151,274)		9,910,709
Temporarily restricted	220,728				220,728
Permanently restricted:					
Endowment		3,936,496			3,936,496
Life income		48,229			48,229
		3,984,725			3,984,725
	1,392,396	12,875,040	(151,274)		14,116,162
Total liabilities and net assets	\$ 13,002,323	\$ 12,875,040	\$ 387,106	\$ (40,502)	\$ 26,223,967

EPISCOPAL MISSION SOCIETY AND AFFILIATES
COMBINING STATEMENTS OF ACTIVITIES

	Year ended June 30, 2009					Year ended June 30, 2008				
	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total
Support and revenue:										
Private support:										
Grants and contributions	\$ 482,261	\$ 5,474	\$ 71,189	\$	\$ 558,924	\$ 888,742	\$ 7,139	\$ 1,050	\$	\$ 896,931
Bequests		14,065			14,065		461,152			461,152
Total private support	482,261	19,539	71,189		572,989	888,742	468,291	1,050		1,358,083
Program fees:										
Parent fees			263,700		263,700			214,350		214,350
Governmental support:										
Contracts and grants	24,688,620		3,882,805		28,571,425	23,949,648		3,974,143		27,923,791
Medicaid	9,667,308				9,667,308	9,559,441				9,559,441
Total governmental support	34,355,928		3,882,805		38,238,733	33,509,089		3,974,143		37,483,232
Other support, revenue and (expenses)										
Investment income (loss), net	2,701	(1,963,707)	1,651		(1,959,355)	3,024	(206,575)	1,222		(202,329)
Contribution from (to) affiliate	565,000	(565,000)				610,000	(610,000)			
Private and network income			102,425		102,425			110,789		110,789
Other revenue	316,986		1,916		318,902	381,602		1,569		383,171
Total other support, revenue and (expenses)	884,687	(2,528,707)	105,992		(1,538,028)	994,626	(816,575)	113,580		291,631
Total support and revenue	35,722,876	(2,509,168)	4,323,686		37,537,394	35,392,457	(348,284)	4,303,123		39,347,296
Expenses:										
Program services:										
Foster boarding homes	9,509,520				9,509,520	8,721,405				8,721,405
Group homes	1,512,445				1,512,445	1,620,426				1,620,426
Intermediate care facilities	6,965,247				6,965,247	6,717,687				6,717,687
Medicaid programs	2,287,409				2,287,409	2,226,782				2,226,782
Early childhood, preventive and other	12,008,446		4,360,766		16,369,212	12,526,170		4,258,142		16,784,312
Total program services	32,283,067		4,360,766		36,643,833	31,812,470		4,258,142		36,070,612
Supporting services:										
Management and general	4,264,268		96,019		4,360,287	3,819,628		95,542		3,915,170
Fundraising and public relations	806,249				806,249	790,057				790,057
Total supporting services	5,070,517		96,019		5,166,536	4,609,685		95,542		4,705,227
Total expenses	37,353,584		4,456,785		41,810,369	36,422,155		4,353,684		40,775,839
Change in net assets before pension adjustments	(1,630,708)	(2,509,168)	(133,099)		(4,272,975)	(1,029,698)	(348,284)	(50,561)		(1,428,543)
Curtailment gain on freezing of defined benefit pension plan in 2008						1,138,951				1,138,951
Pension related changes other than net periodic pension cost	(1,352,654)				(1,352,654)	(248,238)				(248,238)
Change in net assets	(2,983,362)	(2,509,168)	(133,099)		(5,625,629)	(138,985)	(348,284)	(50,561)		(537,830)
Net assets (deficiency), beginning	1,392,396	12,875,040	(151,274)		14,116,162	1,531,381	13,223,324	(100,713)		14,653,992
Net assets (deficiency), ending	\$ (1,590,966)	\$ 10,365,872	\$ (284,373)	\$	\$ 8,490,533	\$ 1,392,396	\$ 12,875,040	\$ (151,274)	\$	\$ 14,116,162

EPISCOPAL MISSION SOCIETY AND AFFILIATES

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total
Cash flows from operating activities:					
Change in net assets	\$ (2,983,362)	\$ (2,509,168)	\$ (133,099)	\$	\$ (5,625,629)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	744,500				744,500
Pension related changes other than net periodic pension costs	1,352,654				1,352,654
Curtailment gain on freezing of defined benefit pension plan					
Realized and unrealized loss on investments		2,187,608			2,187,608
Allowance for uncollectible accounts	126,840				126,840
Allowance for doubtful pledges	60,000				60,000
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Governmental agency receivables	421,063		158,108		579,171
Pledges receivable	334,101		429		334,530
Prepaid expenses	(36,391)	(2,455)			(38,846)
Due from affiliate		35,776	(133,822)	98,046	
Other assets	(9,493)	(654)			(10,147)
Increase (decrease) in:					
Accounts payable	(495,121)		(24,432)		(519,553)
Accrued pension expense	(283,628)				(283,628)
Accrued expenses	139,467		79,662		219,129
Deferred income	(90,000)				(90,000)
Due to affiliate	137,532		(39,486)	(98,046)	
Due to government agencies	(73,395)		352,994		279,599
Net cash provided (used) by operating activities	(655,233)	(288,893)	260,354		(683,772)
Cash flows from investing activities:					
Purchases of property and equipment	(1,080,427)				(1,080,427)
Sales of investment securities		3,800,581			3,800,581
Purchases of investment securities		(3,505,765)			(3,505,765)
Net cash provided (used) by investing activities	(1,080,427)	294,816			(785,611)
Cash flows from financing activities:					
Drawdown on overdraft facility	588,605				588,605
New borrowings	1,425,000				1,425,000
Repayments of principal	(181,180)				(181,180)
Net cash provided by financing activities	1,832,425				1,832,425
Increase in cash and cash equivalents	96,765	5,923	260,354		363,042
Cash and cash equivalents, beginning of year	46,526	33,527	18,170		98,223
Cash and cash equivalents, end of year	\$ 143,291	\$ 39,450	\$ 278,524	\$	\$ 461,265
Supplemental Cash Flow Information					
Cash paid for:					
Interest	\$ 344,385	\$	\$	\$	\$ 344,385
Supplemental Schedule of Investing and Financing Activities					
Acquisition of vehicle with note payable	\$ 36,343	\$	\$	\$	\$ 36,343
Disposition of obsolete assets	\$ 1,641,415	\$	\$	\$	\$ 1,641,415

EPISCOPAL MISSION SOCIETY AND AFFILIATES

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Episcopal Social Services of NY, Inc.	Episcopal Mission Society	Sheltering Arms Day Care Services, Inc.	Eliminations	Total
Cash flows from operating activities:					
Change in net assets	\$ (138,985)	\$ (348,284)	\$ (50,561)	\$	\$ (537,830)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	698,520				698,520
Pension related changes other than net periodic pension costs	248,238				248,238
Curtailment gain on freezing of defined benefit pension plan	(1,138,951)				(1,138,951)
Realized and unrealized loss on investments		435,772			435,772
Allowance for uncollectible accounts	224,892				224,892
Allowance for doubtful pledges	30,000				30,000
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Governmental agency receivables	(620,309)		(225,518)		(845,827)
Pledges receivable	(131,051)	810,359			679,308
Prepaid expenses	132,743	3,870	(267)		136,346
Due from affiliate			2,596	(2,596)	
Other assets	(7,598)	(788)	(3,305)		(11,691)
Increase (decrease) in:					
Accounts payable	612,437		70,954		683,391
Accrued pension expense	191,559				191,559
Accrued expenses	(115,082)		63,959		(51,123)
Deferred income	90,000				90,000
Due to affiliate	(32,477)	(9,605)	39,486	2,596	
Due to government agencies	(31,085)		35,553		4,468
Net cash provided (used) by operating activities	<u>12,851</u>	<u>891,324</u>	<u>(67,103)</u>		<u>837,072</u>
Cash flows from investing activities:					
Purchases of property and equipment	(646,731)				(646,731)
Sales of investment securities		7,550,742			7,550,742
Purchases of investment securities		(8,434,806)			(8,434,806)
Net cash used by investing activities	<u>(646,731)</u>	<u>(884,064)</u>			<u>(1,530,795)</u>
Cash flows from financing activities:					
Drawdown on overdraft facility	100,859				100,859
New borrowings	5,000,000				5,000,000
Repayments of principal	(5,174,010)				(5,174,010)
Net cash used by financing activities	<u>(73,151)</u>				<u>(73,151)</u>
Increase (decrease) in cash and cash equivalents	(707,031)	7,260	(67,103)		(766,874)
Cash and cash equivalents, beginning of year	<u>753,557</u>	<u>26,267</u>	<u>85,273</u>		<u>865,097</u>
Cash and cash equivalents, end of year	<u>\$ 46,526</u>	<u>\$ 33,527</u>	<u>\$ 18,170</u>	<u>\$</u>	<u>\$ 98,223</u>

Supplemental Cash Flow Information

Cash paid for:					
Interest	<u>\$ 341,103</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 341,103</u>

Supplemental Schedule of Investing and Financing Activities

Acquisition of vehicle with note payable	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Disposition of obsolete assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>