

**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS REPORT**

**DECEMBER 31, 2006 AND 2005**



Presbyterian Children's  
Homes & Services

**PRESBYTERIAN CHILDREN’S HOMES AND SERVICES**

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Presbyterian Children's  
Homes & Services



# Presbyterian Children's Homes & Services

April 20, 2007

Dear Friends of Presbyterian Children's Homes & Services:

During 2006, Presbyterian Children's Homes & Services completed 103 years of providing Christ-centered child care services, in which we ministered to the spiritual, physical, intellectual, emotional and social needs of children. During the year we continued our effort to enrich and expand our services as we look forward with much anticipation to serving the needs of even more children and families in the years ahead.

In 2006, we opened a new child and family program and expanded our foster care program in Wichita Falls, Texas. We also strengthened our commitment to the education of the children in our care through the development of a Student Education department. These programs provide an opportunity for us to continue to expand our services to help meet the growing needs of children and their families in crisis. As we move through 2007 and beyond, we are excited about the prospects of continuing to serve ever increasing numbers of those in need.

We are pleased to present the audited financial statements of the Presbyterian Children's Homes and Services. These financial statements help share the story of the work we are doing with children and families in need. Financial statements cannot begin to measure the healing of wounds that have torn families apart or provide a sense of the comfort and security that our young people feel in our care. However, these financial statements do reflect the tremendous sense of stewardship that the Board of Trustees, management and staff have felt toward the Christian mission we serve. These financial statements are a reflection of our current ministries and the strategic direction set by our Board of Trustees. Each year the Agency's financial statements are audited by a certified public accounting firm as a means of providing assurance of the Agency's stewardship of its resources.

The increasing number of children who live in unsafe environments due to abuse, neglect, abandonment or other family crises calls us to continue our Christian mission of meeting the needs of these children. We feel a strong sense of commitment to effectively and efficiently manage the resources that we have been blessed to receive. By coming together as a community in Christ, we can provide the human and financial resources that will allow us to continue to serve many more children and families who need our care and support.

Sincerely yours,

Ed Knight  
President



**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Presbyterian Children's  
Homes and Services  
Austin, Texas

We have audited the accompanying statements of financial position of Presbyterian Children's Homes and Services (a nonprofit agency) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these 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 financial position of Presbyterian Children's Homes and Services as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Pattillo, Brown & Hill,*  
LLP

April 20, 2007



# FINANCIAL STATEMENTS

**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2006 AND 2005**

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,048,504	\$ 1,031,032	\$ 51,180	\$ 4,130,716
Short-term investments	47,146	19,101	-	66,247
Accounts receivable, net of allowance	130,078	-	-	130,078
Interest receivable	111,448	-	-	111,448
Contributions receivable, net of allowance and discount	319,341	2,579,055	854,185	3,752,581
Estates receivable, net of allowance	2,021,821	-	242,437	2,264,258
Prepaid assets	289,066	-	-	289,066
Notes receivable	4,950	-	-	4,950
Long-term investments	52,671,054	2,396,931	51,097,451	106,165,436
Property and equipment, net of accumulated depreciation	<u>6,641,300</u>	<u>-</u>	<u>-</u>	<u>6,641,300</u>
 Total Assets	 <u>\$ 65,284,708</u>	 <u>\$ 6,026,119</u>	 <u>\$ 52,245,253</u>	 <u>\$ 123,556,080</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 275,327	\$ -	\$ -	\$ 275,327
Payroll payable	21,485	-	-	21,485
Current portion notes payable	3,692	-	-	3,692
Other liabilities	24,416	-	-	24,416
Compensated absences	261,719	-	-	261,719
Long-term portion notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>586,639</u>	<u>-</u>	<u>-</u>	<u>586,639</u>
Net Assets:				
Unrestricted	64,698,069	-	-	64,698,069
Temporarily restricted	-	6,026,119	-	6,026,119
Permanently restricted	<u>-</u>	<u>-</u>	<u>52,245,253</u>	<u>52,245,253</u>
Total Net Assets	<u>64,698,069</u>	<u>6,026,119</u>	<u>52,245,253</u>	<u>122,969,441</u>
 Total Liabilities and Net Assets	 <u>\$ 65,284,708</u>	 <u>\$ 6,026,119</u>	 <u>\$ 52,245,253</u>	 <u>\$ 123,556,080</u>

The accompanying notes are an integral part of this statement.

2005

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,898,275	\$ 500,675	\$ 68,576	\$ 2,467,526
43,695	18,421	4,760	66,876
127,875	-	-	127,875
261,309	-	-	261,309
250,807	2,388,645	792,049	3,431,501
3,528,563	-	301,747	3,830,310
330,306	-	-	330,306
2,918	-	-	2,918
47,414,432	2,056,688	46,788,935	96,260,055
6,254,780	-	-	6,254,780
\$ 60,112,960	\$ 4,964,429	\$ 47,956,067	\$ 113,033,456
\$ 274,856	\$ -	\$ -	\$ 274,856
15,495	-	-	15,495
3,845	-	-	3,845
9,558	-	-	9,558
235,410	-	-	235,410
3,692	-	-	3,692
542,856	-	-	542,856
59,570,104	-	-	59,570,104
-	4,964,429	-	4,964,429
-	-	47,956,067	47,956,067
59,570,104	4,964,429	47,956,067	112,490,600
\$ 60,112,960	\$ 4,964,429	\$ 47,956,067	\$ 113,033,456

**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions and bequests	\$ 3,399,305	\$ 738,849	\$ 1,125,901	\$ 5,264,055
Fees	1,199,025	-	-	1,199,025
Investment income	3,845,567	369,627	-	4,215,194
Net realized and unrealized				
gains (losses) on long-term investments	5,176,404	440,259	3,102,599	8,719,262
Change in fair value of split interest agreements	-	140,381	60,686	201,067
Gain (loss) on sale of assets	13,561	-	-	13,561
Other income	80,457	-	-	80,457
Net assets released from restrictions	627,426	( 627,426)	-	-
<b>Total Revenue, Gains and Other Support</b>	<u>14,341,745</u>	<u>1,061,690</u>	<u>4,289,186</u>	<u>19,692,621</u>
<b>EXPENSES</b>				
Itasca Program	1,394,413	-	-	1,394,413
Waxahachie Program	2,790,632	-	-	2,790,632
San Antonio Program	683,117	-	-	683,117
Austin Program	270,907	-	-	270,907
Foster Care Program	956,565	-	-	956,565
Child and Family Programs	783,790	-	-	783,790
Other Programs	-	-	-	-
Advanced & Student Education	283,453	-	-	283,453
Fundraising	848,559	-	-	848,559
Management and General	1,202,344	-	-	1,202,344
<b>Total Expenses</b>	<u>9,213,780</u>	<u>-</u>	<u>-</u>	<u>9,213,780</u>
<b>CHANGE IN NET ASSETS</b>	5,127,965	1,061,690	4,289,186	10,478,841
<b>NET ASSETS, BEGINNING OF YEAR</b>	59,570,104	4,964,429	47,956,067	112,490,600
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 64,698,069</u>	<u>\$ 6,026,119</u>	<u>\$ 52,245,253</u>	<u>\$ 122,969,441</u>

The accompanying notes are an integral part of this statement.

2005

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 5,504,471	\$ 411,490	\$ 213,867	\$ 6,129,828
1,217,578	-	-	1,217,578
3,590,447	266,009	-	3,856,456
2,123,370	82,847	1,906,398	4,112,615
-	378,056	( 72,055)	306,001
46,709	-	-	46,709
168,727	-	-	168,727
881,969	( 881,969)	-	-
<u>13,533,271</u>	<u>256,433</u>	<u>2,048,210</u>	<u>15,837,914</u>
1,359,257	-	-	1,359,257
2,570,905	-	-	2,570,905
681,726	-	-	681,726
239,497	-	-	239,497
969,293	-	-	969,293
664,450	-	-	664,450
8,016	-	-	8,016
233,227	-	-	233,227
661,891	-	-	661,891
<u>1,151,442</u>	<u>-</u>	<u>-</u>	<u>1,151,442</u>
<u>8,539,704</u>	<u>-</u>	<u>-</u>	<u>8,539,704</u>
4,993,567	256,433	2,048,210	7,298,210
54,576,537	4,707,996	45,907,857	105,192,390
<u>\$ 59,570,104</u>	<u>\$ 4,964,429</u>	<u>\$ 47,956,067</u>	<u>\$ 112,490,600</u>



**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, bequests, etc.	\$ 5,427,234	\$ 2,920,128
Cash received from service recipients	1,177,808	1,244,909
Investment income	5,572,070	4,666,422
Miscellaneous receipts	97,439	178,451
Cash paid to employees and suppliers	<u>( 8,474,876)</u>	<u>( 7,811,789)</u>
Net Cash Provided by Operating Activities	<u>3,799,675</u>	<u>1,198,121</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>( 785,015)</u>	<u>( 488,830)</u>
Proceeds from sale of investments	-	220,770
Purchase of investments	<u>( 2,514,161)</u>	<u>( 897,354)</u>
Net Cash Used by Investing Activities	<u>( 3,299,176)</u>	<u>( 1,165,414)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from contributions, bequests, etc.	1,166,536	140,881
Reduction of long-term debt	<u>( 3,845)</u>	<u>( 4,197)</u>
Net Cash Provided by Financing Activities	<u>1,162,691</u>	<u>136,684</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,663,190	169,391
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,467,526</u>	<u>2,298,135</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,130,716</u>	<u>\$ 2,467,526</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,478,842	\$ 7,298,210
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	413,307	365,313
(Increase) decrease in accounts receivable	<u>( 2,203)</u>	30,295
(Increase) decrease in interest receivable	149,861	<u>( 191,458)</u>
(Increase) decrease in contributions receivable	<u>( 340,481)</u>	<u>( 181,572)</u>
(Increase) decrease in other assets	41,240	9,836
(Increase) decrease in estates receivable	1,585,452	<u>( 2,867,361)</u>
(Increase) decrease in notes receivable	<u>( 2,032)</u>	6,761
Increase (decrease) in accounts payable	471	95,136
Increase (decrease) in payroll liabilities	5,990	<u>( 16,512)</u>
Increase (decrease) in compensated absences payable	26,308	26,582
Increase (decrease) in other liabilities	14,858	<u>( 1,419)</u>
Net investment income not distributed	1,408,083	1,307,425
Net realized and unrealized gains on long-term investments	<u>( 8,920,328)</u>	<u>( 4,418,615)</u>
Contributions restricted for long-term investments	<u>( 1,166,536)</u>	<u>( 140,881)</u>
Contributions of investments and fixed assets	<u>( 17,846)</u>	<u>( 213,242)</u>
Non-cash investment expenses	138,250	136,332
(Gain) loss on sale of assets	<u>( 13,561)</u>	<u>( 46,709)</u>
Other	-	-
Net Cash Provided by Operating Activities	<u>\$ 3,799,675</u>	<u>\$ 1,198,121</u>

The accompanying notes are an integral part of this statement.



# PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

### 1. ORGANIZATION AND PURPOSE

Presbyterian Children's Homes and Services (PCHAS) is a Texas non-profit corporation established in 1903. PCHAS provides a variety of Christ-centered childcare services which minister to the spiritual, physical, intellectual, emotional, and social needs of dependent and neglected children. PCHAS operates group foster care homes in Itasca, Waxahachie, Duncanville, Austin, and San Antonio. The Foster Care Program provides therapeutic foster care in traditional foster homes throughout several communities in Texas. In addition to the homes, the Child and Family Programs provide a child welfare network bringing together churches, schools, and other local resources to meet the varying needs of children and their families. The Advanced Education Program provides support to and funding for former residents who are interested in pursuing higher education, vocational, technical, or job training beyond a high school education. PCHAS is primarily supported through donor contributions, fees from families and the Texas Department of Family and Protective Services, and investment income.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of PCHAS have been prepared in conformity with generally accepted accounting principles. The following is a summary of the significant policies.

#### **Basis of Presentation**

The financial statements of PCHAS were prepared using the accrual basis of accounting. Under this basis, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. PCHAS has adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, and SFAS 117, Financial Statements for Not-for-Profit Organizations. SFAS No. 116 requires that unconditional promises to give(pledges) be recorded as receivables and revenue and requires that the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. FAS 117 requires the statements be organized on the basis of unrestricted, temporarily restricted, and permanently restricted net assets for external reporting. This presentation demonstrates the existence or absence of donor-imposed restrictions. The financial statements include a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows, a Statement of Functional Expenses, and related notes. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for non-profit organizations.

(Continued)



Presbyterian Children's  
Homes & Services

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Cash and Cash Equivalents**

PCHAS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Investments**

Investments in marketable securities are carried at market based on the closing prices on the stock exchange as of the last day of the period. Net realized and unrealized gains (losses) are reported as changes in unrestricted or temporarily restricted net assets based on any donor restrictions. PCHAS carries its investments in real estate at the fair market value on the date the investment was donated.

Investments include perpetual trusts in which PCHAS has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets which are held in trust by a third party. The interests in perpetual trusts are valued at the latest available market value. Changes in unrealized and realized gains (losses) are recorded as changes in permanently restricted net assets.

### **Investment Pools**

The agency pools donor-restricted and board-designated endowments into pooled investment accounts. Realized and unrealized gains from the pooled investment accounts are allocated to the individual donor accounts based on the daily average of the market value of each endowment to the market value of the pooled investment accounts.

The fair value of assets in an individual donor restricted endowment are all above the endowments historic dollar value

### **Accounts Receivable**

Accounts receivable consists primarily of program services fees. An allowance for uncollectible accounts is determined using the aging method. All accounts over 90 days are reviewed to determine an allowance. A general reserve, based on historical experience, is created for accounts under 90 days unless there is an unusual matter in which the agency is aware.

(Continued)



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Contributions and Estates Receivable**

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized only when the condition on which they depend is substantially met making the promise unconditional. PCHAS is the beneficiary of several split interest agreements that include various trusts and charitable gift annuities administered by third parties. The receivable for the split interest agreements is recorded at the present value of the estimated future benefits to be received when the trust assets are distributed.

Estates are recognized in the period when notification is received. The receivable for the estates is recorded at the estimated value of PCHAS interest in the estate when the estate assets are distributed.

### **Fixed Assets**

PCHAS has adopted a capitalization threshold of \$1,000 and a useful life of two years or more. Land, buildings, and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis with the following estimated useful lives:

<u>Asset Type</u>	<u>Useful Life</u>
Vehicles	5 years
Furniture, fixtures and equipment	5 -10 years
Buildings and improvements	10 - 40 years

Donated fixed assets are valued at their estimated fair value at time of donation and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor imposed stipulations, PCHAS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### **Donated Materials, Supplies and Facility Usage**

Donated items and free use of facilities are valued at the estimated fair value at the date of donation. As donated items are used through our programs, a corresponding expense is recorded.

### **Donated Services**

Donated services are recognized as contributions if the services create or enhance non-financial assets or if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by PCHAS. In addition, volunteers provide assistance with specific programs, fundraising, and work on many committees that is not recognized as revenue since the recognition criteria was not met.

(Continued)



## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Contributions, Investment Income, and Gains Restricted by Donors**

PCHAS reports gifts or investment income and gains as restricted income if it is received with donor stipulation that restricts the gift's use or income to a specific purpose or has a time restriction. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. If these restrictions are met in the same period in which the gift or income is earned, the gift or income is recorded as unrestricted support.

### **Estimates**

In the preparation of financial statements in conformity with generally accepted accounting principles, management uses estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported revenue and expenses. While management believes these estimates to be reasonable, actual results could differ from those estimates.

### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in a supplemental schedule, the Statement of Functional Expenses. Accordingly, certain costs in the Statement of Activities and in the supplemental schedule, the Statement of Functional Expenses have been allocated among the programs and supporting services benefited.

### **Income Tax Status**

PCHAS is exempt from federal inc. tax under Section 501(c)3 of the Internal Revenue Code. In addition, PCHAS qualifies for the charitable contribution deduction under section 170 and has been classified as an organization other than a private foundation under section 509(a)3.

### **Compensated Absences**

Full-time employees earn compensated vacation time based upon their position and length of service of 2 to 4 weeks. The maximum accrual allowed is 1 ½ times the annual accrual. Upon termination, any unused vacation time is paid to the employee. Full-time employees accrue one day of sick leave per month. A maximum of sixty days may be accrued by each employee. Upon termination of employment, unused sick leave is forfeited unless the employee has 5 years or more of service. If the employee has 5 years or more of service, they are paid 25% of their sick leave accrual upon voluntary termination.

## 3. **CASH AND INVESTMENTS**

### **Deposits**

PCHAS invests cash in excess of daily requirements in an overnight investment account.

(Continued)



### 3. CASH AND INVESTMENTS (Continued)

#### Long-term Investments

A portion of long-term investments is held in pooled funds at Texas Presbyterian Foundation (TPF) and is invested generally 70% in equities and 30% in fixed income investments. PCHAS also holds some investments in real estate, mineral interests, notes receivable and securities all of which were donated. Long-term investments at the end of the year consist of the following:

Investment Type	December 31, 2006		December 31, 2005	
	Cost Basis	Market Value	Cost Basis	Market Value
TPF pooled funds - stocks, bonds, government securities	\$ 33,480,644	\$ 46,694,678	\$ 32,667,501	\$ 42,523,942
Equity securities	8,175,775	9,686,672	7,027,430	8,142,417
Debt Securities	4,276,989	4,257,351	4,041,706	4,026,900
Beneficial interest in trusts	44,680,683	44,680,683	40,578,084	40,578,084
Note receivable	815	815	815	815
Real estate	820,446	820,446	820,447	820,447
Mineral interests	24,792	24,792	167,450	167,450
Total Investments	<u>\$ 91,460,144</u>	<u>\$ 106,165,437</u>	<u>\$ 85,303,433</u>	<u>\$ 96,260,055</u>

### 4. NET ASSET CLASSIFICATIONS

#### Temporarily Restricted

Temporarily restricted net assets include gifts that were received and are designated for a specific use or have a time restriction. When the restrictions are met, the net assets are released from the temporarily restricted fund to the unrestricted fund and reported on the statement of activities. Temporary restricted net assets are available for the following purposes:

	2006	2005
Permanent improvements	\$ 603,957	\$ 366,857
Advanced education	2,306,594	2,032,581
General education	283,159	122,815
Christian education	2,854	-
Special services	23,020	20,640
Time restricted	2,561,566	2,378,134
Other	244,969	43,402
Total	<u>\$ 6,026,119</u>	<u>\$ 4,964,429</u>

(Continued)



**4. NET ASSET CLASSIFICATIONS, (Continued)**

**Temporarily Restricted, continued**

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or by expiration of time restrictions:

	<u>2006</u>	<u>2005</u>
Permanent improvements	\$ 10,650	\$ 25,502
Advanced education	206,001	190,089
General education	26,664	9,841
Christian education	4,559	3,346
Time restrictions	369,959	641,012
Other	<u>9,593</u>	<u>12,179</u>
Total	<u>\$ 627,426</u>	<u>\$ 881,969</u>

**Permanently Restricted**

Permanently restricted net assets include endowment funds for which PCHAS must hold in perpetuity and can only spend the income. Trusts held by a third party in perpetuity for the benefit of PCHAS are also included in this net asset category. Gains on these investments are available for use as specified by the donor. Permanently restricted net assets categorized by income restriction are as follows:

	<u>2006</u>	<u>2005</u>
Advanced education	\$ 3,203,798	\$ 3,068,958
General education	1,671,712	522,190
Christian education	142,710	130,836
Special services	10,553	10,553
Capital	852,382	710,568
Undesignated	<u>46,364,098</u>	<u>43,512,962</u>
Total	<u>\$ 52,245,253</u>	<u>\$ 47,956,067</u>

**5. RECEIVABLES**

**Accounts Receivable**

Accounts receivable includes fees from public and private sources to assist in the cost of childcare. At December 31, 2006, there are accounts receivable of \$140,515 less an allowance of \$10,436 for possible uncollectible amounts.

(Continued)



5. **RECEIVABLES (Continued)**

**Contributions**

Included in contributions receivable are unrestricted pledges of \$124,761, temporarily restricted long-term pledges of \$840,122 and permanently restricted pledges of \$375. Uncollectible pledges are estimate to be \$101,121. In calculating the present value of the long-term pledges, PCHAS used the IRS rate of the month for December as follows:

2001 – 4.8%
2002 – 4.0%
2003 – 4.2%
2004 – 4.2%
2005 – 5.4%
2006 – 5.8%

The rate applied to the pledges was based on the year in which the pledge was made. The unamortized discount is \$60,226.

PCHAS is the beneficiary in several split interest agreements valued at \$2,741,112. PCHAS is not the trustee nor does PCHAS exercise control over the assets of the trusts, but has been named as the remainder beneficiary. A receivable is recorded for the value provided by the third party trustee, which is the difference between the present value of expected future payments to the specified beneficiary and the market value of the assets. The change in fair value from 2005 is \$201,067.

Amounts expected to be received within one year are \$484,190; between one to five years \$303,061; and longer than 5 years are \$1,953,861.

**Estates**

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total \$2,264,258. Amounts expected to be received within one year are \$646,730 and between one and five years \$1,617,528.

(Continued)



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## 6. FIXED ASSETS

Property and equipment consist of the following at year-end:

	Balance 12/31/2005	Additions	Deletions	Adjustments	Balance 12/31/06
Land	\$ 944,809	\$ 50,000	\$ -		\$ 994,809
Buildings and improvements	8,419,255	580,551	( 13,181)	127,672	9,114,297
Furniture and equipment	633,915	7,759	( 141,955)	( 123,072)	376,647
Vehicles	709,833	175,388	( 175,845)	( 4,600)	704,776
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fixed Assets	10,707,812	813,698	( 330,981)	-	11,190,529
Less: accumulated depreciation	<u>( 4,453,032)</u>	<u>( 400,564)</u>	<u>317,110</u>	<u>( 12,743)</u>	<u>( 4,549,229)</u>
Net Fixed Assets	<u>\$ 6,254,780</u>	<u>\$ 413,134</u>	<u>\$( 13,871)</u>	<u>\$( 12,743)</u>	<u>\$ 6,641,300</u>

During 2006 reclassifications were made between asset categories that did not have an impact on the total asset value. Adjustment to accumulated depreciation for the reclassifications resulted in additional accumulated depreciation of \$12,743. Depreciation expense totaled \$413,325 in 2006 and \$365,313 in 2005.

## 7. CAPITAL LEASES

PCHAS leases equipment, valued at \$14,079 less accumulated depreciation of \$8,045, under capital leases. The economic substance of the lease is the financing of an equipment purchase. This lease is recorded as a liability and the corresponding equipment as an asset.

The following is a schedule of the minimum lease payments and its present value as of December 31, 2006:

2007	3,961
Total minimum lease payments	<u>3,961</u>
Less amount representing interest	(269)
Present value of net minimum lease payments	<u>\$ 3,692</u>

(continued)



**8. EMPLOYEE TAX-DEFERRED ANNUITY PLAN**

PCHAS has established a 403(b) tax deferred annuity plan to purchase annuity contracts for its employees in order to provide funds for their retirement or for their beneficiaries in the event of their death. All employees who are employed for at least twenty hours per week are eligible to participate in the plan upon the completion of one year of service. PCHAS contributes an amount equal to 3% of each employee's base salary. PCHAS will make additional matching contributions based upon 200% of an employee's participation in the plan through a voluntary salary reduction up to a total match of 6%. PCHAS contributed \$305,117 and \$262,438 to the plan on behalf of employees during the year ended December 31, 2006 and 2005, respectively. PCHAS does not have an unfunded liability related to the Plan at December 31, 2006. Additionally, no significant changes were made to the plan.

**9. CONCENTRATION OF CREDIT RISK**

The Agency maintains its cash in several financial institutions throughout Texas. These accounts at times may exceed federally insured limits. As of December 31, 2006, the Agency's uninsured cash balances totaled \$61,639.

A portion of PCHAS' revenue, approximately \$1.0 million, is in the form of contracts for services with the Texas Department of Protective and Regulatory Services.



# SUPPLEMENTAL SCHEDULE

**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

Classification	Residential Group Care			
	Itasca Program	Waxahachie Program	San Antonio Program	Austin Program
Aftercare	\$ -	\$ 424	\$ -	\$ -
Allowance	4,264	8,922	6,265	1,561
Association dues and fees	157	7,049	67	224
Bad Debt Expense	-	-	-	-
Bank service fees	42	347	586	-
Campus activities	1,698	15,931	3,220	1,762
Charitable giving	2,800	10,135	2,592	491
Children's gifts	15,771	14,899	4,303	3,934
Christian education	8,594	1,516	3,463	2,594
Clothing	29,703	24,907	8,996	4,310
Computer	5,605	15,436	1,835	2,882
Depreciation	106,999	154,945	54,212	19,948
Employee relations	1,696	3,999	1,762	573
Entertainment and hospitality	507	3,475	272	547
Food	70,389	132,146	39,388	13,398
Foster care fees	-	-	-	-
Furniture and equipment	46,864	15,783	9,470	1,964
Grooming & personal care	3,624	7,961	2,350	1,206
Grounds maintenance	6,541	12,277	2,949	2,818
Horse program	-	-	-	-
Housekeeping supplies	17,484	36,527	5,448	2,315
Insurance	43,276	89,930	30,297	12,374
Interest & financing fees	72	461	80	1
Legal	-	-	-	-
Licensing expense	3,845	357	1,364	468
Livestock management	10,260	-	-	-
Mailing services	-	-	-	-
Medical care	13,771	25,051	1,933	705
Miscellaneous	169	358	624	117

The accompanying notes are an integral part of this statement.

<u>H.O.P.E. Program</u>	<u>Child and Family Programs</u>	<u>Adv &amp; Student Education Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
\$ -	\$ -	\$ 768	\$ -	\$ -	\$ 1,192
-	-	37,250	-	-	58,262
1,736	888	9	520	5,317	15,967
-	-	-	-	10,511	10,511
64	238	25	-	120,627	121,929
1,245	-	-	-	-	23,856
-	-	-	-	-	16,018
3,895	-	1,850	-	918	45,570
-	-	-	-	-	16,167
9,153	-	-	-	-	77,069
10,630	5,783	1,436	12,046	13,303	68,956
5,252	993	2,657	14,878	53,441	413,325
3,667	2,339	213	776	1,590	16,615
3,197	3,720	122	2,919	2,789	17,548
-	-	-	-	-	255,321
379,499	-	-	-	-	379,499
1,055	16	2,958	4,579	870	83,559
16	-	-	-	-	15,157
-	-	-	78	78	24,741
-	-	-	-	-	-
78	132	1	342	727	63,054
20,852	13,384	4,419	18,891	57,110	290,533
425	-	14	-	-	1,053
-	-	-	-	1,573	1,573
88	-	-	-	300	6,422
-	-	-	-	-	10,260
-	-	-	33,859	-	33,859
2,489	-	682	-	-	44,631
300	140	-	-	2,061	3,769

(continued)

**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

Classification	Residential Group Care			
	Itasca Program	Waxahachie Program	San Antonio Program	Austin Program
Office supplies	6,361	15,103	1,891	845
Outreach	-	-	50	-
Personnel - salaries	593,912	1,331,567	322,979	125,673
Personnel - benefits and taxes	171,713	414,610	91,224	28,495
Photography	46	1,558	310	357
Postal and delivery fees	1,517	1,708	984	139
Printing services	83	195	52	19
Program supplies	200	2,546	45	53
Public relations	86	87	6	165
Professional services	445	1,171	277	104
Recreation	9,185	20,137	6,218	3,923
Recruiting	1,919	6,575	1,755	657
Rent	4,949	612	-	-
Repairs and maintenance	50,041	75,948	11,570	5,328
Safety program	419	3,076	661	908
School activities	2,572	5,676	2,602	808
School supplies	3,646	3,868	808	617
Special events	4,626	-	49	71
Staff training	2,430	3,461	3,784	1,862
Taxes	-	-	-	-
Telephone	3,825	17,155	4,888	2,034
Therapy/psychiatric care	4,405	36,557	866	360
Transportation maintenance	9,142	12,736	2,310	4,233
Transportation - gasoline	27,323	47,175	15,028	3,847
Travel - Children	547	288	993	50
Travel	8,340	26,182	5,944	3,473
Tuition and fees	-	4,113	5,981	-
Tutoring/remedial education	30	-	325	6,253
Utilities	92,520	175,692	20,041	6,441
<b>Total</b>	<b>\$ 1,394,413</b>	<b>\$ 2,790,632</b>	<b>\$ 683,117</b>	<b>\$ 270,907</b>

The accompanying notes are an integral part of this statement.

<u>H.O.P.E. Program</u>	<u>Child and Family Program</u>	<u>Adv &amp; Student Education Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
3,955	3,999	512	7,442	7,164	47,272
-	118,489	-	-	-	118,539
344,098	401,822	79,047	401,810	616,045	4,216,953
85,641	103,788	14,132	93,486	141,831	1,144,920
74	330	15	422	-	3,112
1,400	896	240	72,221	5,634	84,739
167	-	-	85,331	-	85,847
247	1,304	1,442	-	13	5,850
28	388	-	21,946	1,965	24,671
6,603	377	74	98	47,750	56,899
1,652	-	-	-	-	41,115
4,340	-	-	200	-	15,446
810	11,626	42,496	90	90	60,673
360	798	-	4,866	21,579	170,490
1,567	446	46	376	247	7,746
-	-	-	-	-	11,658
-	3,798	9,249	-	-	21,986
-	23	-	27,365	480	32,614
3,047	4,196	28	8,885	3,408	31,101
-	-	-	-	21,891	21,891
7,560	12,283	1,027	5,130	3,271	57,173
952	21,147	-	-	-	64,287
522	185	138	564	482	30,312
4,352	1,955	1,994	3,613	2,924	108,211
4,423	-	-	-	-	6,301
25,286	68,307	4,172	25,826	30,484	198,014
-	-	75,895	-	15,107	101,096
-	-	-	-	-	6,608
<u>15,840</u>	<u>-</u>	<u>542</u>	<u>-</u>	<u>10,764</u>	<u>321,840</u>
<u>\$ 956,565</u>	<u>\$ 783,790</u>	<u>\$ 283,453</u>	<u>\$ 848,559</u>	<u>\$ 1,202,344</u>	<u>\$ 9,213,780</u>



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