

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS REPORT**

DECEMBER 31, 2007 AND 2006



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

May 21, 2008

Dear Friends of Presbyterian Children's Homes & Services:

During 2007, Presbyterian Children's Homes & Services completed 104 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 2007, we opened new child and family programs in Longview, San Antonio, Dallas, Houston and Temple. We also expanded our foster care program in Longview, Texas. We continued to strengthen our commitment to the education of the children in our care. These programs provide an opportunity for us to continue to broaden the continuum of services to help meet the growing needs of children and their families in crisis. As we move through 2008 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 call 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



Presbyterian Children's
Homes & Services



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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, 2007 and 2006, 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 audit 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, 2007 and 2006, 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

May 21, 2008



FINANCIAL STATEMENTS

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Cash and cash equivalents	\$ 2,946,382	\$ 625,030	\$ 52,504	\$ 3,623,916
Short-term investments	28,958	18,538	-	47,496
Accounts receivable, net of allowance	125,704	-	-	125,704
Interest receivable	73,329	-	-	73,329
Contributions receivable, net of allowance and discount	161,342	2,968,154	875,371	4,004,867
Estates receivable	1,489,739	-	263,275	1,753,014
Prepaid assets	306,651	-	-	306,651
Notes receivable	823	-	-	823
Long-term investments	56,732,472	2,640,103	56,015,818	115,388,393
Property and equipment, net of accumulated depreciation	<u>6,651,829</u>	<u>-</u>	<u>-</u>	<u>6,651,829</u>
 Total Assets	 <u>\$ 68,517,229</u>	 <u>\$ 6,251,825</u>	 <u>\$ 57,206,968</u>	 <u>\$ 131,976,022</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 351,742	\$ -	\$ -	\$ 351,742
Payroll payable	23,414	-	-	23,414
Current portion notes payable	-	-	-	-
Other liabilities	21,645	-	-	21,645
Compensated absences	290,695	-	-	290,695
Total Liabilities	<u>687,496</u>	<u>-</u>	<u>-</u>	<u>687,496</u>
Net Assets:				
Unrestricted	67,829,733	-	-	67,829,733
Temporarily restricted	-	6,251,825	-	6,251,825
Permanently restricted	<u>-</u>	<u>-</u>	<u>57,206,968</u>	<u>57,206,968</u>
Total Net Assets	<u>67,829,733</u>	<u>6,251,825</u>	<u>57,206,968</u>	<u>131,288,526</u>
 Total Liabilities and Net Assets	 <u>\$ 68,517,229</u>	 <u>\$ 6,251,825</u>	 <u>\$ 57,206,968</u>	 <u>\$ 131,976,022</u>

The accompanying notes are an integral part of this statement.

2006

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,048,504	\$ 1,031,032	\$ 51,180	\$ 4,130,716
47,146	19,101	-	66,247
130,078	-	-	130,078
111,448	-	-	111,448
319,341	2,579,055	854,185	3,752,581
2,021,821	-	242,437	2,264,258
289,066	-	-	289,066
4,950	-	-	4,950
52,671,054	2,396,931	51,097,451	106,165,436
6,641,300	-	-	6,641,300
\$ 65,284,708	\$ 6,026,119	\$ 52,245,253	\$ 123,556,080
\$ 275,327	\$ -	\$ -	\$ 275,327
21,485	-	-	21,485
3,692	-	-	3,692
24,416	-	-	24,416
261,719	-	-	261,719
586,639	-	-	586,639
64,698,069	-	-	64,698,069
-	6,026,119	-	6,026,119
-	-	52,245,253	52,245,253
64,698,069	6,026,119	52,245,253	122,969,441
\$ 65,284,708	\$ 6,026,119	\$ 52,245,253	\$ 123,556,080

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Contributions and bequests	\$ 3,135,202	\$ 824,898	\$ 699,000	\$ 4,659,100
Fees	1,059,383	-	-	1,059,383
Investment income	4,109,447	381,883	-	4,491,330
Net realized and unrealized				
gains (losses) on long-term investments	3,938,905	355,478	4,238,848	8,533,231
Change in fair value of split interest agreements	-	183,792	23,867	207,659
Gain (loss) on sale of assets	10,114	-	-	10,114
Other income	106,623	-	-	106,623
Net assets released from restrictions	<u>1,520,345</u>	<u>(1,520,345)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>13,880,019</u>	<u>225,706</u>	<u>4,961,715</u>	<u>19,067,440</u>
EXPENSES				
Itasca Program	1,501,963	-	-	1,501,963
Waxahachie Program	3,012,979	-	-	3,012,979
San Antonio Program	659,267	-	-	659,267
Austin Program	501,881	-	-	501,881
Foster Care Program	1,170,919	-	-	1,170,919
Other Programs	59,333	-	-	59,333
Child and Family Programs	1,084,464	-	-	1,084,464
Advanced & Student Education	344,106	-	-	344,106
Fundraising	1,008,820	-	-	1,008,820
Management and General	<u>1,404,623</u>	<u>-</u>	<u>-</u>	<u>1,404,623</u>
Total Expenses	<u>10,748,355</u>	<u>-</u>	<u>-</u>	<u>10,748,355</u>
CHANGE IN NET ASSETS	3,131,664	225,706	4,961,715	8,319,085
NET ASSETS, BEGINNING OF YEAR	64,698,069	6,026,119	52,245,253	122,969,441
NET ASSETS, END OF YEAR	<u>\$ 67,829,733</u>	<u>\$ 6,251,825</u>	<u>\$ 57,206,968</u>	<u>\$ 131,288,526</u>

The accompanying notes are an integral part of this statement.

2006

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,399,305	\$ 738,849	\$ 1,125,901	\$ 5,264,055
1,199,025	-	-	1,199,025
3,845,567	369,627	-	4,215,194
5,176,404	440,259	3,102,599	8,719,262
-	140,381	60,686	201,067
13,561	-	-	13,561
80,457	-	-	80,457
627,426	(627,426)	-	-
<u>14,341,745</u>	<u>1,061,690</u>	<u>4,289,186</u>	<u>19,692,621</u>
1,394,413	-	-	1,394,413
2,790,632	-	-	2,790,632
683,117	-	-	683,117
270,907	-	-	270,907
956,565	-	-	956,565
-	-	-	-
783,790	-	-	783,790
283,453	-	-	283,453
848,559	-	-	848,559
1,202,344	-	-	1,202,344
<u>9,213,780</u>	<u>-</u>	<u>-</u>	<u>9,213,780</u>
5,127,965	1,061,690	4,289,186	10,478,841
59,570,104	4,964,429	47,956,067	112,490,600
<u>\$ 64,698,069</u>	<u>\$ 6,026,119</u>	<u>\$ 52,245,253</u>	<u>\$ 122,969,441</u>



PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, bequests, etc.	\$ 4,352,569	\$ 5,427,234
Cash received from service recipients	1,067,075	1,177,808
Investment income	5,808,428	5,572,070
Miscellaneous receipts	107,430	97,439
Cash paid to employees and suppliers	<u>(10,109,232)</u>	<u>(8,474,876)</u>
Net Cash Provided by Operating Activities	<u>1,226,270</u>	<u>3,799,675</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(441,516)</u>	<u>(785,015)</u>
Purchase of investments	<u>(1,861,804)</u>	<u>(2,514,161)</u>
Net Cash Used by Investing Activities	<u>(2,303,320)</u>	<u>(3,299,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from contributions, bequests, etc.	573,942	1,166,536
Reduction of long-term debt	<u>(3,692)</u>	<u>(3,845)</u>
Net Cash Provided by Financing Activities	<u>570,250</u>	<u>1,162,691</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(506,800)</u>	1,663,190
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,130,716</u>	<u>2,467,526</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,623,916</u>	<u>\$ 4,130,716</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 8,319,085	\$ 10,478,841
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	441,101	413,307
(Increase) decrease in accounts receivable	4,374	(2,203)
(Increase) decrease in interest receivable	38,119	149,861
(Increase) decrease in contributions receivable	<u>(252,286)</u>	<u>(340,481)</u>
(Increase) decrease in other assets	<u>(17,585)</u>	41,240
(Increase) decrease in estates receivable	511,244	1,585,452
(Increase) decrease in notes receivable	4,127	<u>(2,032)</u>
Increase (decrease) in accounts payable	76,415	471
Increase (decrease) in payroll liabilities	1,929	5,990
Increase (decrease) in compensated absences payable	28,976	26,308
Increase (decrease) in other liabilities	<u>(2,771)</u>	14,858
Net investment income not distributed	1,486,638	1,408,084
Net realized and unrealized gains on long-term investments	<u>(8,740,890)</u>	<u>(8,920,328)</u>
Contributions restricted for long-term investments	<u>(573,942)</u>	<u>(1,166,536)</u>
Contributions of investments and fixed assets	<u>(88,150)</u>	<u>(17,846)</u>
Non-cash investment expenses	-	138,250
(Gain) loss on sale of assets	<u>(10,114)</u>	<u>(13,561)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,226,270</u>	<u>\$ 3,799,675</u>

The accompanying notes are an integral part of this statement.



PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

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 located throughout the state of Texas and Louisiana 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 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)

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 five 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 income 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 of between 2 to 4 weeks based upon their position and length of service. 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, 2007		December 31, 2006	
	Cost Basis	Market Value	Cost Basis	Market Value
TPF pooled funds - stocks, bonds, government securities	\$ 33,387,140	\$ 49,839,739	\$ 33,480,644	\$ 46,694,677
Equity securities	9,304,092	10,006,031	8,175,775	9,686,672
Debt Securities	5,166,783	5,166,783	4,276,989	4,257,351
Beneficial interest in trusts	49,420,768	49,420,768	44,680,683	44,680,683
Note receivable	-	-	815	815
Real estate	820,446	820,446	820,446	820,446
Mineral interests	134,626	134,626	24,792	24,792
Total Investments	<u>\$ 98,233,855</u>	<u>\$ 115,388,393</u>	<u>\$ 91,460,144</u>	<u>\$ 106,165,436</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:

	2007	2006
Permanent improvements	\$ 412,889	\$ 603,957
Advanced education	2,521,444	2,306,594
General education	251,653	283,159
Christian education	4,684	2,854
Special services	24,635	23,020
Time restricted	2,953,292	2,561,566
Other	83,228	244,969
Total	<u>\$ 6,251,825</u>	<u>\$ 6,026,119</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>2007</u>	<u>2006</u>
Permanent improvements	\$ 448,910	\$ 10,650
Advanced education	196,146	206,001
General education	108,741	26,664
Christian education	4,968	4,559
Time restrictions	557,253	369,959
Other	<u>204,327</u>	<u>9,593</u>
Total	<u>\$ 1,520,345</u>	<u>\$ 627,426</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>2007</u>	<u>2006</u>
Advanced education	\$ 3,282,272	\$ 3,203,798
General education	1,903,231	1,671,712
Christian education	180,230	142,710
Special services	10,553	10,553
Capital	943,275	852,382
Undesignated	<u>50,887,407</u>	<u>46,364,098</u>
Total	<u>\$ 57,206,968</u>	<u>\$ 52,245,253</u>

5. RECEIVABLES

Accounts Receivable

Accounts receivable includes fees from public and private sources to assist in the cost of childcare. At December 31, 2007, there are accounts receivable of \$135,704 less an allowance of \$10,000 for possible uncollectible amounts.

(Continued)

5. **RECEIVABLES (Continued)**

Contributions

Included in contributions receivable are unrestricted pledges of \$105,273, temporarily restricted long-term pledges of \$1,105,239 and permanently restricted pledges of \$3,020. Uncollectible pledges are estimate to be \$123,075. 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%
2007 – 5.0%

The rate applied to the pledges was based on the year in which the pledge was made. The unamortized discount is \$86,387.

PCHAS is the beneficiary in several split interest agreements valued at \$2,933,590. 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 2006 is \$207,659.

Amounts expected to be received within one year are \$539,622; between one to five years \$278,099; and longer than 5 years are \$2,115,869.

Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total \$1,753,014. Amounts expected to be received within one year are \$214,935 and between one and five years \$1,538,079.

(Continued)

6. FIXED ASSETS

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

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Land	\$ 994,808	\$ 8,966	\$ -	\$ 1,003,774
Buildings and improvements	9,114,297	206,278	(4,043)	9,316,532
Furniture and equipment	376,647	43,582	(29,775)	390,454
Vehicles	704,777	194,691	(127,573)	771,895
Construction in progredd	-	-	-	-
Total Fixed Assets	11,190,529	453,517	(161,391)	11,482,655
Less: accumulated depreciation	(4,549,229)	(441,101)	159,504	(4,830,826)
Net Fixed Assets	<u>\$ 6,641,300</u>	<u>\$ 12,416</u>	<u>\$(1,887)</u>	<u>\$ 6,651,829</u>

Depreciation expense totaled \$441,101 in 2007 and \$413,325 in 2006.

7. 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 \$333,848 and \$305,117 to the plan on behalf of employees during the year ended December 31, 2007 and 2006, respectively. PCHAS does not have an unfunded liability related to the Plan at December 31, 2007. Additionally, no significant changes were made to the plan.

8. CONCENTRATION OF CREDIT RISK

The Agency maintains its cash in several financial intuitions throughout Texas. These accounts at times may exceed federally insured limits. As of December 31, 2007, the Agency’s uninsured cash balances totaled \$81,554.

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

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

Classification	Residential Group Care			
	Itasca Program	Waxahachie Program	San Antonio Program	Austin Program
Aftercare	\$ -	\$ -	\$ 60	\$ 2,661
Allowance	5,169	11,555	6,345	2,066
Association dues and fees	245	6,089	50	824
Bad Debt Expense	-	-	-	-
Bank service fees	175	377	-	112
Campus activities	1,801	7,608	938	1,917
Charitable giving	1,400	10,170	2,000	170
Children's gifts	13,223	33,272	10,327	2,974
Christian education	6,904	7,159	2,227	1,784
Clothing	34,071	27,406	9,130	3,861
Computer	8,578	16,788	4,185	9,596
Daycare	-	-	-	-
Depreciation	112,890	175,325	60,494	31,652
Employee relations	1,511	5,000	1,543	515
Entertainment and hospitality	1,314	3,615	484	704
Food	71,827	144,390	35,196	19,352
Foster care fees	-	-	-	-
Furniture and equipment	16,329	12,266	4,353	34,724
Grooming & personal care	3,017	8,455	2,114	1,290
Grounds maintenance	10,108	9,721	3,519	4,754
Housekeeping supplies	23,090	35,450	5,182	12,892
Insurance	45,200	83,327	27,605	16,450
Interest & financing fees	22	151	44	(35)
Legal	150	-	-	-
Licensing expense	3,117	514	913	816
Livestock management	12,104	-	-	-
Mailing services	-	-	-	-
Medical care	9,636	10,265	4,180	4,292
Employer Reimbursed Medical	341	748	-	-
Miscellaneous	399	894	328	447

The accompanying notes are an integral part of this statement.

<u>Foster Care Program</u>	<u>Child and Family Programs</u>	<u>Adv & Student Education Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
\$ -	\$ 1,443	\$ 3,924	\$ -	\$ -	\$ 8,088
-	1,892	28,375	-	-	55,402
1,966	1,926	11	1,320	7,261	19,692
-	-	-	-	23,336	23,336
-	455	150	-	122,787	124,056
68	-	145	-	-	12,477
-	-	-	-	-	13,740
7,527	-	162	-	-	67,485
-	167	-	-	-	18,241
7,817	15	-	-	-	82,300
7,553	10,011	3,123	17,360	16,144	93,338
192	-	-	-	-	192
6,752	1,072	2,603	14,428	35,885	441,101
1,806	1,947	462	422	1,808	15,014
6,424	5,586	104	3,819	3,089	25,139
13	-	-	-	-	270,778
429,316	-	-	-	-	429,316
5,185	8,683	392	4,197	1,231	87,360
33	-	-	-	-	14,909
-	-	-	-	-	28,102
545	1,584	154	328	1,378	80,603
24,343	15,595	5,084	18,415	52,447	288,466
142	15	4	-	-	343
-	-	-	-	89,172	89,322
-	-	-	-	-	5,360
-	-	-	-	-	12,104
-	-	-	40,684	-	40,684
1,387	-	1,917	-	-	31,677
-	-	-	-	-	1,089
-	8	-	-	486	2,562

(continued)

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

Classification	Residential Group Care			
	Itasca Program	Waxahachie Program	San Antonio Program	Austin Program
Office supplies	5,505	13,992	688	1,825
Outreach	40	3	564	-
Partnership programs	-	-	-	-
Personnel - salaries	666,651	1,464,905	303,518	212,802
Personnel - benefits and taxes	200,052	445,360	90,302	60,291
Photography	615	1,792	124	2,347
Postal and delivery fees	1,423	2,062	1,014	307
Printing services	133	-	-	-
Program supplies	684	1,648	21	712
Public relations	56	133	51	-
Professional services	344	997	162	76
Recreation	16,264	31,627	9,622	6,191
Recruiting	4,815	9,209	2,262	1,064
Rent	2,181	1,131	300	61
Room & Board- College	-	-	-	-
Repairs and maintenance	41,610	75,529	8,505	7,755
Safety program	4,447	6,392	1,474	2,398
School activities	784	10,181	3,964	2,784
School supplies	3,068	6,578	301	1,184
Senior retreat	436	833	205	96
Special events	1,750	-	-	66
Staff training	3,548	6,853	2,439	2,161
Taxes	-	-	-	-
Telephone	5,210	14,889	4,089	4,383
Therapy/psychiatric care	2,003	43,616	3,320	4,186
Transportation maintenance	10,064	10,464	1,552	1,113
Transportation - gasoline	27,609	47,533	14,052	6,884
Travel - Children	-	35	202	(235)
Travel	10,468	30,416	4,872	8,921
Tuition and fees	1,000	1,000	6,537	1,439
Tutoring/remedial education	-	-	-	7,048
Utilities	108,582	175,256	17,910	12,204
Total	\$ 1,501,963	\$ 3,012,979	\$ 659,267	\$ 501,881

The accompanying notes are an integral part of this statement.

Foster Care Program	Child and Family Program	Adv & Student Education Program	Fundraising	Management and General	Total
7,091	10,612	986	9,111	8,705	58,515
-	155,026	-	-	-	155,633
-	59,333	-	-	-	59,333
440,668	550,173	124,911	469,649	683,325	4,916,602
119,007	140,787	25,612	99,615	158,891	1,339,917
16	679	2	478	-	6,053
1,809	1,344	142	83,507	7,358	98,966
114	74	-	107,678	-	107,999
557	3,824	1,546	-	-	8,992
2,006	1,526	-	22,251	630	26,653
6,212	667	73	28,895	33,781	71,207
654	-	-	-	-	64,358
7,872	1,064	241	-	-	26,527
2,079	15,700	21,912	90	90	43,544
-	-	2,774	-	-	2,774
16	(6)	-	5,216	20,730	159,355
3,907	1,690	109	485	305	21,207
-	-	-	-	-	17,713
-	3,563	12,054	-	-	26,748
712	-	1,827	-	-	4,109
70	658	-	32,856	273	35,673
7,559	3,036	278	4,887	2,253	33,014
-	-	-	-	61,547	61,547
9,532	18,032	1,198	5,805	4,135	67,273
2,211	27,844	-	-	-	83,180
543	369	450	665	1,480	26,700
5,418	3,554	2,623	4,447	4,015	116,135
4,805	-	-	-	-	4,807
29,352	90,673	7,822	32,212	31,476	246,212
-	800	92,378	-	20,143	123,297
-	-	-	-	-	7,048
<u>17,640</u>	<u>2,376</u>	<u>558</u>	<u>-</u>	<u>10,462</u>	<u>344,988</u>
\$ <u>1,170,919</u>	\$ <u>1,143,797</u>	\$ <u>344,106</u>	\$ <u>1,008,820</u>	\$ <u>1,404,623</u>	\$ <u>10,748,355</u>



Presbyterian Children's
Homes & Services