# PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

(a non-profit organization)

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2012 and 2011

Presbyterian Children's Homes and Services

# PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

## FINANCIAL STATEMENTS
## AND
## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

## DECEMBER 31, 2012 AND 2011

Presbyterian Children's Homes and Services

April 22, 2013

Dear Friends of Presbyterian Children's Homes & Services:

Presbyterian Children's Homes & Services continues our long tradition of Christ- centered services, in which we minister to the spiritual, physical, intellectual, emotional and social needs of children. We are steadfast in our mission to offer Christ-centered care and support to children and families in need by providing a place of hope and healing. We continue our efforts to enrich and strengthen our services as we look forward with much anticipation to serving the needs of even more children and families in the years ahead.

In 2012, we maintained our commitment to partner with like minded organizations to expand our services through our strategic alliances with the Methodist Children's Home, Masonic Children & Family Services, and Juliette Fowler Homes that allows us to collectively serve children with ever increasing needs. These programs provide an opportunity for us to further broaden the continuum of services to help meet the growing needs of children and their families in crisis. We also began our planning to work with HomeAid Houston and St. John's Presbyterian Church to provide services to single parents and their children in the Houston area. In addition, we began working toward an affiliation with the Children's Foundation of Mid-America, a Presbyterian organization who like PCHAS has served children and families for many years.

We are pleased to present the 2012 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.

We ask for your prayers for children who live in unsafe environments due to abuse, neglect, abandonment or other family crises that continues to rise at an alarming rate. 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

Ed Knight
President

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**PRESBYTERIAN CHILDREN'S HOMES AND SERVICES**

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**DECEMBER 31, 2012 and 2011**


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CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of Presbyterian Children's Homes and Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above presented fairly in all material respects, the financial position of Presbyterian Children's Homes and Services as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The financial statements of Presbyterian Children's Homes and Services as of December 31, 2011 were audited by previous auditors whose report dated May 16, 2012 expressed an unmodified opinion on the respective statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 30-33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pattillo, Brown & Hill LLP

May 14, 2013

# FINANCIAL STATEMENTS

## PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

### STATEMENTS OF FINANCIAL POSITION

### DECEMBER 31, 2012 AND 2011

| | 2012 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 3,837,800 | $ 1,402,077 | $ 230 | $ 5,240,107 |
| Short-term investments | 35,271 | - | - | 35,271 |
| Accounts receivable, net of allowance | 338,206 | - | - | 338,206 |
| Interest receivable | 75,016 | - | - | 75,016 |
| Contributions receivable, net of allowance and discount | 243,230 | 2,645,231 | 620,613 | 3,509,074 |
| Estates receivable | 354,755 | - | 701,019 | 1,055,774 |
| Prepaid assets | 108,084 | - | - | 108,084 |
| Notes receivable | 353,223 | - | - | 353,223 |
| Long-term investments | 50,816,397 | 2,453,812 | 53,171,020 | 106,441,229 |
| Property and equipment, net of accumulated depreciation | 5,735,521 | - | - | 5,735,521 |
| Total Assets | $ 61,897,503 | $ 6,501,120 | $ 54,492,882 | $ 122,891,505 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 449,369 | $ - | $ - | $ 449,369 |
| Payroll payable | 17,764 | - | - | 17,764 |
| Other liabilities | 40,313 | - | - | 40,313 |
| Compensated absences | 365,513 | - | - | 365,513 |
| Total Liabilities | 872,959 | - | - | 872,959 |
| Net Assets: | | | | |
| Unrestricted | | | | |
| Board designated | 50,325,301 | - | - | 50,325,301 |
| Undesignated | 10,699,243 | - | - | 10,699,243 |
| Total Unrestricted | 61,024,544 | - | - | 61,024,544 |
| Temporarily restricted | - | 6,501,120 | - | 6,501,120 |
| Permanently restricted | - | - | 54,492,882 | 54,492,882 |
| Total Net Assets | 61,024,544 | 6,501,120 | 54,492,882 | 122,018,546 |
| Total Liabilities and Net Assets | $ 61,897,503 | $ 6,501,120 | $ 54,492,882 | $ 122,891,505 |

The accompanying notes are an integral part of this statement.

| 2011 | | | |
|---|---|---|---|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| $ 3,932,884 | $ 1,334,922 | $ 10,857 | $ 5,278,663 |
| 25,000 | - | - | 25,000 |
| 220,472 | - | - | 220,472 |
| 51,965 | - | - | 51,965 |
| 301,321 | 2,930,169 | 641,065 | 3,872,555 |
| 335,836 | - | 41,019 | 376,855 |
| 15,229 | - | - | 15,229 |
| 1,192 | - | - | 1,192 |
| 45,601,643 | 1,960,626 | 50,942,945 | 98,505,214 |
| 5,598,524 | - | - | 5,598,524 |
| $ 56,084,066 | $ 6,225,717 | $ 51,635,886 | $ 113,945,669 |
| $ 328,361 | $ - | $ - | $ 328,361 |
| 34,414 | - | - | 34,414 |
| 42,042 | - | - | 42,042 |
| 368,261 | - | - | 368,261 |
| 773,078 | - | - | 773,078 |
| 45,236,789 | - | - | 45,236,789 |
| 10,074,199 | - | - | 10,074,199 |
| 55,310,988 | - | - | 55,310,988 |
| - | 6,225,717 | - | 6,225,717 |
| - | - | 51,635,886 | 51,635,886 |
| 55,310,988 | 6,225,717 | 51,635,886 | 113,172,591 |
| $ 56,084,066 | $ 6,225,717 | $ 51,635,886 | $ 113,945,669 |

The accompanying notes are an integral part of this statement.

# PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

## STATEMENTS OF ACTIVITIES

## FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **REVENUE, GAINS AND OTHER SUPPORT** | | | | |
| Contributions and bequests | $ 4,545,629 | $ 758,286 | $ 799,260 | $ 6,103,175 |
| Fees | 2,700,999 | - | - | 2,700,999 |
| Investment income | 3,350,051 | 388,465 | - | 3,738,516 |
| Change in fair value of split interest agreements | - | 79,608 | 18,052 | 97,660 |
| Gain (loss) on sale of assets | 28,967 | - | - | 28,967 |
| Other income | 115,755 | - | - | 115,755 |
| Net assets released from restrictions | 1,585,745 | (1,585,745) | - | - |
| Total Revenue, Gains and Other Support | 12,327,146 | ( 359,386) | 817,312 | 12,785,072 |
| Net realized and unrealized gains (losses) on long-term investments | 6,265,639 | 634,789 | 2,039,684 | 8,940,112 |
| Total Revenue, Realized & Unrealized Gains (losses), and other support | 18,592,785 | 275,403 | 2,856,996 | 21,725,184 |
| **EXPENSES** | | | | |
| Itasca Program | 1,452,096 | - | - | 1,452,096 |
| Waxahachie Program | 1,943,098 | - | - | 1,943,098 |
| San Antonio Program | 668,309 | - | - | 668,309 |
| Austin Program | 575,687 | - | - | 575,687 |
| Single Parent Programs | 189,619 | - | - | 189,619 |
| Foster Care & Adoption Services | 2,976,384 | - | - | 2,976,384 |
| Child and Family Programs | 1,822,096 | - | - | 1,822,096 |
| Advanced & Student Education | 457,301 | - | - | 457,301 |
| Program Services | 10,084,590 | - | - | 10,084,590 |
| Fundraising | 1,337,097 | - | - | 1,337,097 |
| Management and General | 1,457,542 | - | - | 1,457,542 |
| Support Services | 2,794,639 | - | - | 2,794,639 |
| Total Expenses | 12,879,229 | - | - | 12,879,229 |
| **CHANGE IN NET ASSETS** | 5,713,556 | 275,403 | 2,856,996 | 8,845,955 |
| **NET ASSETS, BEGINNING OF YEAR** | 55,310,988 | 6,225,717 | 51,635,886 | 113,172,591 |
| **NET ASSETS, END OF YEAR** | $ 61,024,544 | $ 6,501,120 | $ 54,492,882 | $ 122,018,546 |

The accompanying notes are an integral part of this statement.

| 2011 | | | |
|---|---|---|---|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| $ 4,974,773 | $ 761,854 | $ 255,659 | $ 5,992,286 |
| 2,790,502 | - | - | 2,790,502 |
| 3,136,965 | 365,110 | - | 3,502,075 |
| - | (58,567) | 5,688 | (52,879) |
| 39,193 | - | - | 39,193 |
| 58,698 | - | - | 58,698 |
| 962,953 | (962,953) | - | - |
| 11,963,084 | 105,444 | 261,347 | 12,329,875 |
| ( 895,382) | ( 362) | ( 1,731,312) | ( 2,627,056) |
| 11,067,702 | 105,082 | ( 1,469,965) | 9,702,819 |
| 1,505,973 | - | - | 1,505,973 |
| 2,198,793 | - | - | 2,198,793 |
| 692,172 | - | - | 692,172 |
| 575,369 | - | - | 575,369 |
| 124,872 | - | - | 124,872 |
| 2,724,719 | - | - | 2,724,719 |
| 1,764,782 | - | - | 1,764,782 |
| 332,128 | - | - | 332,128 |
| 9,918,808 | - | - | 9,918,808 |
| 1,152,815 | - | - | 1,152,815 |
| 1,359,357 | - | - | 1,359,357 |
| 2,512,172 | - | - | 2,512,172 |
| 12,430,980 | - | - | 12,430,980 |
| ( 1,363,278) | 105,082 | ( 1,469,965) | ( 2,728,161) |
| 56,674,266 | 6,120,635 | 53,105,851 | 115,900,752 |
| $ 55,310,988 | $ 6,225,717 | $ 51,635,886 | $ 113,172,591 |

The accompanying notes are an integral part of this statement.

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## PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from contributions, bequests, etc. | $ 5,581,062 | $ 5,764,073 |
| Cash received from service recipients | 2,583,803 | 2,798,491 |
| Investment income | 3,359,814 | 3,495,339 |
| Miscellaneous receipts | 115,217 | 66,826 |
| Cash paid to employees and suppliers | (12,402,876) | (11,856,597) |
| Net Cash Provided (Used) by Operating Activities | (762,980) | 268,132 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of fixed assets | (492,235) | (143,673) |
| Proceeds from sale of assets | 41,449 | 44,983 |
| Purchase of investments | (6,191,021) | (3,313,632) |
| Proceeds from sales of investments | 7,188,467 | 5,414,029 |
| Net Cash Provided by Investing Activities | 546,660 | 2,001,707 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Cash received from contributions, bequests, etc. | 177,764 | 284,387 |
| Net Cash Provided by Financing Activities | 177,764 | 284,387 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (38,556) | 2,554,226 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 5,278,663 | 2,724,437 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 5,240,107 | $ 5,278,663 |
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Change in net assets | $ 8,845,955 | $ (2,728,161) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 342,756 | 395,554 |
| (Increase) decrease in accounts receivable | (117,734) | 15,765 |
| (Increase) decrease in interest receivable | (23,051) | 31,995 |
| (Increase) decrease in contributions receivable | 363,481 | (183,258) |
| (Increase) decrease in prepaid assets | (92,855) | 15,128 |
| (Increase) decrease in estates receivable | (678,919) | 437,573 |
| (Increase) decrease in notes receivable | (352,031) | 352 |
| Increase (decrease) in accounts payable | 121,008 | (1,614) |
| Increase (decrease) in payroll liabilities | (16,650) | 6,901 |
| (Decrease) in compensated absences payable | (2,748) | (11,094) |
| Increase (decrease) in other liabilities | (1,729) | 17,256 |
| Net realized and unrealized (gains) losses on long-term investments | (8,940,112) | 2,627,056 |
| Contributions restricted for long-term investments | (177,764) | (284,387) |
| Contributions of investments and fixed assets | (3,620) | (31,741) |
| (Gain) loss on sale of assets | (28,967) | (39,193) |
| Net Cash Provided (Used) by Operating Activities | $ (762,980) | $ 268,132 |

The accompanying notes are an integral part of this statement.

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## 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, Austin, and San Antonio. The Foster Care Program provides therapeutic foster care in traditional foster homes throughout several communities in Texas. The Houston Adoption program assists children in finding their forever family. In addition to the homes, the Child and Family Programs located throughout 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. The Single Parent programs in Weatherford and Waxahachie work to bring economic and emotional stability to children and their families. 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 accounting principles generally accepted in the United States of America (GAAP). 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 Financial Accounting Standards Board (FASB) Codification Section 958.605 *Not for Profit Entities Revenue Recognition* and FASB Codification Section 958.205 *Not-for-Profit Entities Presentation of Financial Statements.* FASB Codification Section 958.605 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. FASB Codification Section 958.205 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, and related notes. In addition, we have provided a Supplemental Schedule of Functional Expense for 2012. The Financial Accounting Standards Board is the accepted standard setting body for non-profit organizations.

## 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 fair market value.

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

PCHAS 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 PCHAS is aware.

### Contributions and Estates Receivable

Unconditional promises to give are recognized as revenue in the period the promise is 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.

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

**Contributions and Estates Receivable** (Continued)

Estates are recognized in the period when notification is received. The receivable for the estates is recorded at the estimated value of PCHAS's 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:

| Asset Type | Useful Life |
|---|---|
| Vehicles | 5 years |
| Furniture 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 by 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 were not met.

**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.

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

### 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 Schedule of Functional Expenses, for the year ended December 31, 2012. Accordingly, certain costs in the Statement of Activities and in the supplemental schedule, the Schedule 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.

PCHAS has adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Tax.* That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting and interim periods, disclosure, and transition. The cumulative effect of this change in accounting principle was immaterial.

### Compensated Absences

Full-time employees earn annual compensated vacation time of 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.

### Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentations. Such reclassifications had no effect on previously reported change in net assets.

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

### Subsequent Events

Management of PCHAS has evaluated subsequent events for disclosure through the date of the Report of the Independent Certified Public Accountants, the date the financial statements were available to be issued.

## 3. CASH AND INVESTMENTS

### Deposits

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

### 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 20% in fixed income investments and 10% in real estate and alternative strategies.

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:

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| Investment Type | Cost Basis | Market Value | Cost Basis | Market Value |
| TPF pooled funds - stocks, bonds, govt securities, real estate, alternative strategies | $ 34,251,819 | $ 48,445,511 | $ 32,155,172 | $ 43,610,850 |
| Equity securities | 6,567,158 | 7,598,909 | 6,232,220 | 6,867,278 |
| Debt securities | 2,959,181 | 3,175,924 | 2,935,196 | 3,118,260 |
| Beneficial interest in trusts | 45,013,396 | 45,013,396 | 42,898,933 | 42,898,933 |
| Alternative strategies | 1,655,002 | 1,718,774 | 1,652,993 | 1,639,027 |
| Real estate | 439,146 | 439,146 | 314,646 | 314,646 |
| Mineral interests | 49,569 | 49,569 | 56,220 | 56,220 |
| Total Investments | $ 90,935,271 | $ 106,441,229 | $ 86,245,380 | $ 98,505,214 |

### Fair Value Measurements

The following methods and assumptions were used in estimating the fair value disclosures for the financial instruments:

Investment securities - The fair values of investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices for identical or similar securities.

## 3. CASH AND INVESTMENTS (Continued)

**Fair Value Measurements** (Continued)

Receivables - The carrying amounts reported in the statements of financial position for all receivables approximate those receivables' fair values.

Payables - The carrying amounts reported in the statements of financial position for all payables approximate those payables' fair values.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Interest receivables | $ 75,016 | $ 75,016 | $ 51,965 | $ 51,965 |
| Contribution receivables | 3,509,074 | 3,595,703 | 3,872,555 | 3,953,621 |
| Estates receivables | 1,055,774 | 1,055,774 | 376,855 | 376,855 |
| Long term investments | 106,441,229 | 106,441,229 | 98,505,214 | 98,505,214 |

FASB Codification Section 820, *Fair Value Measurements and Disclosure,* establishes a framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Codification Section 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that can be easily accessed.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## 3. CASH AND INVESTMENTS (Continued)

**Fair Value Measurements** (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 from prior periods.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the net asset value (NAV) of shares held at the end of the year.

Alternative investments which include pooled real estate funds, real estate, pooled alternative strategies fund, closely held hedge funds, closely held REITS and private equity are valued at other significant observable and unobservable inputs that include quoted prices of similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while PCHAS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| TPF pooled funds - stocks, bonds, govt securities, real estate, alternative strategies | $ 39,827,922 | $ 8,617,589 | $ - | $ 48,445,511 |
| Equity securities | 7,598,909 | - | - | 7,598,909 |
| Debt securities | 3,175,924 | - | - | 3,175,924 |
| Beneficial interest in trusts | 32,782,360 | 7,448,482 | 4,782,554 | 45,013,396 |
| Alternative strategies | - | - | 1,718,774 | 1,718,774 |
| Real estate | - | 439,146 | - | 439,146 |
| Mineral interests | 49,335 | - | 234 | 49,569 |
| | $ 83,434,450 | $ 16,505,217 | $ 6,501,562 | $ 106,441,229 |

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2012:

| | |
|---|---|
| Beginning balance | $ 5,877,684 |
| Asset changes | 207,567 |
| Income | 62,306 |
| Realized gain (loss) | (57,991) |
| Unrealized gain | 411,996 |
| Ending balance | $ 6,501,562 |

## 3. CASH AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| TPF pooled funds - stocks, bonds, govt securities, real estate, alternative strategies | $ 39,141,477 | $ 4,469,373 | $ - | $ 43,610,850 |
| Equity securities | 6,867,278 | - | - | 6,867,278 |
| Debt securities | 3,118,260 | - | - | 3,118,260 |
| Beneficial interest in trusts | 32,028,667 | 6,632,035 | 4,238,231 | 42,898,933 |
| Alternative strategies | - | - | 1,639,027 | 1,639,027 |
| Real estate | - | 314,646 | - | 314,646 |
| Mineral interests | 55,794 | - | 426 | 56,220 |
| | $ 81,211,476 | $ 11,416,054 | $ 5,877,684 | $ 98,505,214 |

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2011:

| | |
|---|---|
| Beginning balance | $ 5,227,792 |
| Asset changes | 638,888 |
| Income | 40,874 |
| Realized gain (loss) | 5,408 |
| Unrealized gain (loss) | (35,278) |
| Ending balance | $ 5,877,684 |

## 4. RECEIVABLES

### Accounts Receivable

Accounts receivable includes fees from public and private sources to assist in the cost of childcare.

| | 2012 | 2011 |
|---|---|---|
| Accounts receivable | $ 344,844 | $ 226,606 |
| Allowance for uncollectible accounts | (6,638) | (6,134) |
| | $ 338,206 | $ 220,472 |

## 4. RECEIVABLES (Continued)

### Contributions

Contributions receivable consists of the following:

| | 2012 | 2011 |
|---|---|---|
| Donations receivable | $ 93,767 | $ 222,285 |
| Unrestricted pledges | 163,324 | 88,764 |
| Temporarily restricted pledges | 863,041 | 1,193,376 |
| Permanently restricted pledges | 2,125 | 850 |
| Split interest gifts | 2,491,008 | 2,480,122 |
| Total Receivables | 3,613,265 | 3,985,397 |
| Allowance for uncollectible pledges | (86,629) | (81,067) |
| Unamortized discount on pledges | (17,562) | (31,775) |
| Total | $ 3,509,074 | $ 3,872,555 |

In calculating the present value of the long-term pledges, PCHAS used the IRS discount rate of the month for December. The rate applied to the pledges was based on the year in which the pledge was made. The rates are as follows:

IRS Discount Rate

| Year | Rate | Year | Rate | Year | Rate |
|---|---|---|---|---|---|
| 2003 | 4.2% | 2007 | 5.0% | 2011 | 1.6% |
| 2004 | 4.2% | 2008 | 3.4% | 2012 | 1.2% |
| 2005 | 5.4% | 2009 | 3.2% | | |
| 2006 | 5.8% | 2010 | 1.8% | | |

PCHAS is the beneficiary in several split interest agreements. 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 2011 to 2012 is an increase of $97,660 and from 2010 to 2011 was a decrease of $52,879.

Total contribution receivables expected to be received within one year total $951,641; between one to five years $2,200,014 and longer than 5 years are $461,610.

### Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total $1,055,774 and $376,855, as of December 31, 2012 and 2011, respectively. Amounts expected to be received within one year are $354,755 and between one and five years $701,019.

### Notes Receivable

PCHAS has extended a $500,000 line of credit to the Children's Foundation of Mid-America, Inc. (CFMA), a Missouri nonprofit corporation. Interest accrues at the rate of prime plus 0.5%. The line of credit is scheduled to mature on December 31, 2014. As of December 31, 2012, the balance in the notes receivable including principle and accumulated interest totaled $352,065. In January of 2013, PCHAS and CFMA entered into an affiliation agreement that is expected to provide mutual benefit to the organizations.

## 5. ENDOWMENT FUNDS

PCHAS's endowment consists of a number of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

### Interpretation of Relevant Law

The Board of Trustees of PCHAS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PCHAS classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year PCHAS adjusts permanently restricted net assets by an amount determined to be reasonable for use in the operations but also provide for the change in the average Consumer Price Index (CPI). If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is maintained as endowment assets in permanently restricted net assets until appropriated by the Board for expenditure. In accordance with TUPMIFA, PCHAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1) The duration and preservation of the fund;
2) The purposes of the organization and the donor-restricted endowment fund;
3) The general economic conditions;
4) The possible effect of inflation or deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the organization;
7) The investment policies of the organization.

### Endowment Net Asset Classification by Type of Fund as of December 31, 2012

| Endowment Type | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted | $ - | $ 2,453,812 | $ 54,492,882 | $ 56,946,694 |
| Board designated | 50,325,301 | - | - | 50,325,301 |
| Total investments | $ 50,325,301 | $ 2,453,812 | $ 54,492,882 | $ 107,271,995 |

## 5. ENDOWMENT FUNDS (Continued)

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012**

| Endowment Assets | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Beginning balance | $ 45,236,789 | $ 1,960,626 | $ 51,635,886 | $ 98,833,301 |
| Investment return | | | | |
| Investment return | 841,253 | 80,234 | - | 921,487 |
| Net appreciation realized & unrealized | 6,320,703 | 634,790 | 2,057,736 | 9,013,229 |
| Total investment return | 7,161,956 | 715,024 | 2,057,736 | 9,934,716 |
| Contributions | - | - | 799,260 | 799,260 |
| Appropriation of endowment assets for expenditure | 111,096 | - | - | 111,096 |
| Transfer to undesignated | (2,184,540) | (221,838) | - | (2,406,378) |
| Ending balance | $ 50,325,301 | $ 2,453,812 | $ 54,492,882 | $ 107,271,995 |

**Endowment Net Asset Classification by Type of Fund as of December 31, 2011**

| Endowment Type | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted | $ - | $ 1,960,626 | $ 51,635,886 | $ 53,596,512 |
| Board designated | 45,236,789 | - | - | 45,236,789 |
| Total investments | $ 45,236,789 | $ 1,960,626 | $ 51,635,886 | $ 98,833,301 |

## 5. ENDOWMENT FUNDS (Continued)

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011**

| Endowment Assets | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Beginning balance | $ 47,631,565 | $ 2,112,009 | $ 53,105,851 | $ 102,849,425 |
| Investment return | | | | |
| Investment return | 766,858 | 72,217 | - | 839,075 |
| Net appreciation realized & unrealized | (463,642) | (362) | (1,725,624) | (2,189,628) |
| Total investment return | 303,216 | 71,855 | (1,725,624) | (1,350,553) |
| Contributions | - | - | 255,659 | 255,659 |
| Appropriation of endowment assets for expenditure | 78,371 | - | - | 78,371 |
| Transfer to undesignated | (2,776,363) | (223,238) | - | (2,999,601) |
| Ending balance | $ 45,236,789 | $ 1,960,626 | $ 51,635,886 | $ 98,833,301 |

**Return Objectives and Risk Parameters**

PCHAS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. PCHAS expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

## 6. FIXED ASSETS

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

| | Balance 12/31/2011 | Additions | Deletions | Balance 12/31/2012 |
|---|---|---|---|---|
| Land | $ 1,023,596 | $ - | $ - | $ 1,023,596 |
| Buildings and improvements | 9,541,700 | 9,422 | (3,264) | 9,547,858 |
| Furniture and equipment | 582,889 | 22,678 | (5,524) | 600,043 |
| Vehicles | 645,204 | - | (184,516) | 460,688 |
| Capital work in progress | - | 460,135 | - | 460,135 |
| Total Fixed Assets | 11,793,389 | 492,235 | (193,304) | 12,092,320 |
| Less: accumulated depreciation | (6,194,865) | (342,756) | 180,822 | (6,356,799) |
| Net Fixed Assets | $ 5,598,524 | $ 149,479 | $ (12,482) | $ 5,735,521 |

Depreciation expense totaled $342,756 in 2012 and $395,554 in 2011.

## 7. NET ASSET CLASSIFICATIONS

**Unrestricted**

Unrestricted net assets represent resources over which the board has discretionary authority.

**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.

Temporarily restricted net assets are available for the following purposes:

| | 2012 | 2011 |
|---|---|---|
| Permanent improvements | $ 485,766 | $ 532,925 |
| Advanced education | 2,833,043 | 2,427,766 |
| General education | 171,704 | 101,906 |
| Christian education | 14,899 | 4,248 |
| Special services | 20,974 | 18,246 |
| Time restricted | 2,596,249 | 2,807,925 |
| Other | 378,485 | 332,701 |
| Total | $ 6,501,120 | $ 6,225,717 |

## 7. 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:

| | 2012 | 2011 |
|---|---|---|
| Permanent improvements | $ 476,877 | $ 174,419 |
| Advanced education | 220,589 | 128,798 |
| General education | 97,987 | 92,049 |
| Christian education | 6,585 | 5,745 |
| Time restrictions | 578,005 | 522,317 |
| Other | 205,702 | 39,625 |
| Total | $ 1,585,745 | $ 962,953 |

**Permanently Restricted**

Permanently restricted net assets include endowment funds 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:

| | 2012 | 2011 |
|---|---|---|
| Advanced education | $ 3,806,513 | $ 3,669,161 |
| General education | 2,254,530 | 2,186,908 |
| Christian education | 203,921 | 192,393 |
| Special services | 10,553 | 10,553 |
| Permanent improvements | 1,229,091 | 1,095,589 |
| Other | 63,707 | 24,036 |
| Undesignated | 46,924,567 | 44,457,246 |
| Total | $ 54,492,882 | $ 51,635,886 |

## 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 are eligible to contribute by voluntary salary reduction upon employment. All employees are eligible to receive employer contributions upon completion of one year of service or 1,000 hours of service in a twelve month period. Upon meeting eligibility requirements to receive employer contributions, PCHAS will contribute an amount equal to 3% of each employee's base salary as a non-matching contribution. 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 $421,641 and $442,393 to the plan on behalf of employees during the year ended December 31, 2012 and 2011, respectively. PCHAS did not have an unfunded liability related to the Plan at December 31, 2012 and 2011. No significant changes were made to the plan.

## 9. CONCENTRATION OF CREDIT RISK

PCHAS maintains its cash in several financial institutions throughout Texas. These accounts at times may exceed federally insured limits. As of December 31, 2012, PCHAS's cash balances in financial institutions exceeded FDIC coverage by $5,516,847.

## 10. SUBSEQUENT EVENTS

Effective January 15, 2013, PCHAS entered into an affiliation agreement with Children's Foundation of Mid-America, Inc. (CFMA), a Missouri nonprofit corporation. CFMA provides residential and therapeutic services to children. Under this affiliation, PCHAS and CFMA will remain separate corporations and operate programs independently. PCHAS has provided a strategic plan recommendation for CFMA to follow in hopes of continuing their services, reducing outstanding liabilities, and increasing the development and expansion of services in the state of Missouri. On January 15, 2013, PCHAS and CFMA also entered into a shared services agreement through which specified areas of knowledge and expertise will be mutually shared. PCHAS is to provide administrative supervision and oversight to several CFMA departments, more specifically the human resources, information systems, finance, and quality assurance staff. It is anticipated that PCHAS and CFMA will receive the benefit of shared administrative and IT support services as well as coordinated fundraising efforts that will allow each agency to approach their respective missions in a mutually supportive manner. PCHAS does not expect this affiliation to have a material effect on its financial position or operations.

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# SUPPLEMENTAL SCHEDULE

## PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

### SCHEDULE OF FUNCTIONAL EXPENSES

### FOR THE YEAR ENDED DECEMBER 31, 2012

| | Residential Programs | | | | | |
|---|---|---|---|---|---|---|
| Classification | Itasca Program | Waxahachie Program | San Antonio Program | Austin Program | Single Parent Programs | Foster Care & Adoption Program |
| Aftercare | $ - | $ - | $ - | $ 421 | $ - | $ - |
| Allowance | 5,561 | 6,844 | 3,263 | 3,622 | - | - |
| Association dues & fees | 182 | 370 | 198 | 626 | 8 | 1,543 |
| Bad debt expense | - | - | - | - | - | - |
| Bank service fees | 85 | 106 | 101 | 28 | 33 | - |
| Campus activities | 1,067 | 1,124 | 2,160 | 771 | - | - |
| Charitable giving | 5,000 | 4,009 | 2,000 | 2,000 | - | - |
| Children's gifts | 12,940 | 31,012 | 4,237 | 8,327 | 705 | 6,382 |
| Christian education | 1,388 | 3,332 | 478 | 2,873 | - | - |
| Clothing | 18,053 | 15,374 | 4,106 | 5,019 | 940 | 15,134 |
| Computer | 11,400 | 29,720 | 4,815 | 4,740 | 1,651 | 38,532 |
| Daycare | - | - | - | - | 2,382 | - |
| Depreciation | 87,998 | 117,318 | 43,478 | 17,674 | 152 | 9,186 |
| Employee relations | 900 | 1,118 | 460 | 1,033 | 15 | 763 |
| Entertainment & hospitality | 2,456 | 2,840 | 1,633 | 963 | 240 | 12,363 |
| Estate administration | - | - | - | - | - | - |
| Food | 58,590 | 97,444 | 31,245 | 40,266 | 3,679 | - |
| Foster care fees | - | - | - | - | - | 925,186 |
| Furniture and equipment | 21,201 | 8,980 | 5,981 | 2,243 | 1,717 | 4,821 |
| Grooming & personal care | 3,902 | 8,727 | 2,121 | 3,448 | 548 | - |
| Grounds maintenance | 7,090 | 11,083 | 1,478 | 1,574 | 964 | - |
| Housekeeping supplies | 15,273 | 25,175 | 8,147 | 3,908 | 3,267 | 1,199 |
| Insurance | 36,753 | 50,088 | 25,963 | 23,025 | 5,614 | 45,275 |
| Interest & financing fees | 39 | 12 | 5 | - | 5 | 11 |
| Legal | - | - | - | - | - | 9,873 |
| Licensing expense | 1,815 | 712 | 632 | 645 | - | - |
| Livestock management | 6,720 | - | - | - | - | - |
| Mailing services | - | - | - | - | - | - |
| Medical care | 8,792 | 2,630 | 982 | 857 | 235 | 6,216 |
| Employer reimb medical | - | 20 | - | - | - | - |
| Miscellaneous | 93 | 760 | 123 | 61 | 59 | 304 |

| Child & Family Programs | Advanced & Student Education Program | Total Program Services | Fundraising | Management and General | Total Support Services | Total |
|---|---|---|---|---|---|---|
| $ - | $ 4,152 | $ 4,573 | $ - | $ - | $ - | $ 4,573 |
| - | 25,475 | 44,765 | - | - | - | 44,765 |
| 467 | 21 | 3,415 | 804 | 14,193 | 14,997 | 18,412 |
| - | - | - | - | 10,343 | 10,343 | 10,343 |
| 47 | - | 400 | - | 127,504 | 127,504 | 127,904 |
| - | - | 5,122 | - | - | - | 5,122 |
| - | - | 13,009 | - | - | - | 13,009 |
| - | 995 | 64,598 | - | - | - | 64,598 |
| 181 | - | 8,252 | - | - | - | 8,252 |
| - | - | 58,626 | - | - | - | 58,626 |
| 19,105 | 2,615 | 112,578 | 29,927 | 21,677 | 51,604 | 164,182 |
| - | - | 2,382 | - | - | - | 2,382 |
| 5,733 | 5,494 | 287,033 | 25,961 | 29,762 | 55,723 | 342,756 |
| 1,143 | 91 | 5,523 | 803 | 1,473 | 2,276 | 7,799 |
| 7,444 | 388 | 28,327 | 5,486 | 2,567 | 8,053 | 36,380 |
| - | - | - | - | 2,736 | 2,736 | 2,736 |
| - | - | 231,224 | - | - | - | 231,224 |
| - | - | 925,186 | - | - | - | 925,186 |
| 1,479 | 42 | 46,464 | 4,058 | 869 | 4,927 | 51,391 |
| - | - | 18,746 | - | - | - | 18,746 |
| - | - | 22,189 | - | - | - | 22,189 |
| 286 | 67 | 57,322 | 791 | 1,248 | 2,039 | 59,361 |
| 27,395 | 7,484 | 221,597 | 23,946 | 51,362 | 75,308 | 296,905 |
| 47 | - | 119 | 40 | - | 40 | 159 |
| - | - | 9,873 | - | 27,574 | 27,574 | 37,447 |
| - | - | 3,804 | - | - | - | 3,804 |
| - | - | 6,720 | - | - | - | 6,720 |
| - | - | - | 23,935 | - | 23,935 | 23,935 |
| - | 529 | 20,241 | - | - | - | 20,241 |
| - | - | 20 | - | - | - | 20 |
| - | 45 | 1,445 | - | 29 | 29 | 1,474 |

(continued)

## PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

### SCHEDULE OF FUNCTIONAL EXPENSES

### FOR THE YEAR ENDED DECEMBER 31, 2012

| | Residential Programs | | | | | |
|---|---|---|---|---|---|---|
| Classification | Itasca Program | Waxahachie Program | San Antonio Program | Austin Program | Single Parent Programs | Foster Care & Adoption Program |
| Office supplies | $ 6,615 | $ 9,634 | $ 2,064 | $ 1,646 | $ 330 | $ 17,010 |
| Outreach | - | - | - | - | 3,271 | 5,868 |
| Personnel - salaries | 676,869 | 847,933 | 312,260 | 290,207 | 104,323 | 1,244,877 |
| Personnel - ben.& taxes | 218,088 | 325,152 | 99,922 | 75,164 | 30,455 | 312,796 |
| Photography | 145 | 126 | 147 | 110 | - | 5 |
| Post adoption services | - | - | - | - | - | 1,271 |
| Postal & delivery fees | 1,202 | 889 | 597 | 57 | 60 | 2,339 |
| Printing services | - | - | - | - | - | - |
| Program supplies | 352 | 516 | 121 | 133 | 369 | 1,254 |
| Public relations | 78 | 40 | - | - | - | 895 |
| Professional services | 2,298 | 3,271 | 960 | 1,387 | 273 | 54,236 |
| Recreation | 14,245 | 19,984 | 9,909 | 9,592 | 3,314 | 60 |
| Recruiting | 3,455 | 3,907 | 1,304 | 1,066 | 291 | 11,920 |
| Rent | 21,550 | 13,035 | 7,601 | 3,020 | 384 | 87,092 |
| Room & board- college | - | - | - | - | - | - |
| Repairs & maintenance | 42,059 | 82,323 | 24,078 | 16,027 | 875 | 5,437 |
| Safety program | 2,193 | 2,520 | 2,788 | 2,450 | 227 | 5,669 |
| School activities | 3,943 | 3,792 | 497 | 1,773 | - | - |
| School supplies | 3,886 | 4,165 | 265 | 778 | 241 | - |
| Senior retreat | - | - | - | - | - | - |
| Special events | 1,390 | 30 | 98 | - | - | 218 |
| Staff training | 2,707 | 2,804 | 1,652 | 1,496 | 377 | 13,448 |
| Taxes | - | - | - | - | - | - |
| Telephone | 5,635 | 13,175 | 4,386 | 4,719 | 4,690 | 25,173 |
| Therapy/psychiatric care | 2,530 | 1,136 | 2,023 | 1,363 | - | - |
| Transp. - maintenance | 13,643 | 18,054 | 8,642 | 4,411 | 944 | 3,847 |
| Transp. - gasoline | 33,151 | 38,162 | 19,356 | 10,257 | 2,952 | 15,562 |
| Travel - children/clients | 62 | 536 | 675 | - | 709 | 11,202 |
| Travel | 6,943 | 8,012 | 4,532 | 7,802 | 1,406 | 72,006 |
| Tuition and fees | 275 | 50 | - | - | 332 | - |
| Tutoring/remedial ed. | - | - | - | - | - | - |
| Utilities | 81,484 | 125,054 | 20,826 | 18,105 | 11,582 | 7,411 |
| Total | $ 1,452,096 | $ 1,943,098 | $ 668,309 | $ 575,687 | $ 189,619 | $ 2,976,384 |

| Child & Family Program | Advanced & Student Education Program | Total Program Services | Fundraising | Management and General | Total Support Services | Total |
|---|---|---|---|---|---|---|
| $ 6,874 | $ 786 | $ 44,959 | $ 8,138 | $ 7,086 | $ 15,224 | $ 60,183 |
| 176,093 | - | 185,232 | - | - | - | 185,232 |
| 1,036,835 | 204,651 | 4,717,955 | 748,365 | 767,272 | 1,515,637 | 6,233,592 |
| 303,195 | 38,859 | 1,403,631 | 159,959 | 189,118 | 349,077 | 1,752,708 |
| 83 | - | 616 | 823 | - | 823 | 1,439 |
| - | - | 1,271 | - | - | - | 1,271 |
| 1,444 | 352 | 6,940 | 62,474 | 5,232 | 67,706 | 74,646 |
| - | - | - | 81,132 | 452 | 81,584 | 81,584 |
| 3,072 | 854 | 6,671 | 92 | 1 | 93 | 6,764 |
| 414 | - | 1,427 | 6,030 | - | 6,030 | 7,457 |
| 4,631 | 92 | 67,148 | 38,681 | 44,234 | 82,915 | 150,063 |
| - | - | 57,104 | - | - | - | 57,104 |
| 2,948 | 1,338 | 26,229 | 1,910 | 1,602 | 3,512 | 29,741 |
| 32,841 | 10,311 | 175,834 | 5,823 | 4,338 | 10,161 | 185,995 |
| - | 2,018 | 2,018 | - | - | - | 2,018 |
| 2,293 | 2,007 | 175,099 | 12,358 | 17,616 | 29,974 | 205,073 |
| 659 | 343 | 16,849 | 985 | 235 | 1,220 | 18,069 |
| - | - | 10,005 | - | - | - | 10,005 |
| 6,430 | 6,966 | 22,731 | - | - | - | 22,731 |
| - | 2,364 | 2,364 | - | - | - | 2,364 |
| 1,231 | - | 2,967 | 34,864 | - | 34,864 | 37,831 |
| 3,996 | 352 | 26,832 | 3,679 | 2,213 | 5,892 | 32,724 |
| - | - | - | - | 69,439 | 69,439 | 69,439 |
| 30,640 | 2,326 | 90,744 | 8,806 | 5,884 | 14,690 | 105,434 |
| 9,325 | - | 16,377 | - | - | - | 16,377 |
| 3,549 | 3,020 | 56,110 | 5,444 | 1,390 | 6,834 | 62,944 |
| 11,887 | 3,292 | 134,619 | 8,921 | 5,040 | 13,961 | 148,580 |
| - | 526 | 13,710 | - | - | - | 13,710 |
| 118,107 | 4,856 | 223,664 | 29,602 | 40,413 | 70,015 | 293,679 |
| - | 122,286 | 122,943 | - | - | - | 122,943 |
| - | 1,438 | 1,438 | - | - | - | 1,438 |
| 2,222 | 866 | 267,550 | 3,260 | 4,640 | 7,900 | 275,450 |
| $ 1,822,096 | $ 457,301 | $ 10,084,590 | $ 1,337,097 | $ 1,457,542 | $ 2,794,639 | $ 12,879,229 |