

PRESBYTERIAN CHILDREN'S
HOMES AND SERVICES
(a non-profit organization)
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2016 and 2015



Presbyterian Children's
Homes and Services

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

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Presbyterian Children's Homes and Services

July 6, 2017

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 and families. 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.

In 2016, we maintained our commitment to partner with like minded organizations to expand our services through our strategic alliances with the Masonic Children & Family Services, and Juliette Fowler Communities 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 continued to provide services to single parents and their children in our new Houston Single Parent and Family program. These homes were built on property provided by St. John's Presbyterian Church. We are pleased to report that our affiliation with Presbyterian Children's Homes and Services of Missouri has continued to strengthen and support our work with children and families. We are proud to serve along side these caring ministries to serve the needs of children and families.

We are pleased to present the 2016 audited financial statements of the Presbyterian Children's Homes and Services. Financial statements are not intended 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 and commitment 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.

Please pray for children who are abused, neglected, abandoned or suffer other family crises that continue to rise at an alarming rate. As a community in Christ we collectively make a positive impact in the lives of children and families.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Ed Knight'.

Ed Knight
President

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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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 present fairly in all material respects, the financial position of Presbyterian Children's Homes and Services of Missouri as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 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, L.L.P.

Waco, Texas
July 6, 2017

FINANCIAL STATEMENTS

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 724,904	\$ 2,488,070	\$ 64,281	\$ 3,277,255
Short-term investments	51,292	-	-	51,292
Accounts receivable, net of allowance	430,321	-	-	430,321
Interest receivable	62,457	-	-	62,457
Contributions receivable, net of allowance and discount	201,955	1,117,174	3,936,318	5,255,447
Estates receivable	2,775,438	-	41,019	2,816,457
Prepaid assets	339,513	-	-	339,513
Due from affiliate	218,131	-	-	218,131
Notes receivable	642,398	-	-	642,398
Long-term investments	55,427,516	2,833,339	57,756,562	116,017,417
Property and equipment, net of accumulated depreciation	10,957,878	-	-	10,957,878
Total assets	\$ 71,831,803	\$ 6,438,583	\$ 61,798,180	\$ 140,068,566
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 660,320	\$ -	\$ -	\$ 660,320
Payroll payable	28,887	-	-	28,887
Other liabilities	35,633	-	-	35,633
Compensated absences	472,120	-	-	472,120
Total liabilities	1,196,960	-	-	1,196,960
Net Assets:				
Unrestricted				
Board designated	55,152,622	-	-	55,152,622
Undesignated	15,482,221	-	-	15,482,221
Total unrestricted	70,634,843	-	-	70,634,843
Temporarily restricted	-	6,438,583	-	6,438,583
Permanently restricted	-	-	61,798,180	61,798,180
Total net assets	70,634,843	6,438,583	61,798,180	138,871,606
Total liabilities and net assets	\$ 71,831,803	\$ 6,438,583	\$ 61,798,180	\$ 140,068,566

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,663,454	\$ 1,338,930	\$ 87,041	\$ 3,089,425
41,616	-	-	41,616
358,241	-	-	358,241
66,226	-	-	66,226
248,540	2,478,602	359,104	3,086,246
6,735,099	-	41,019	6,776,118
334,454	-	-	334,454
208,947	-	-	208,947
619,542	-	-	619,542
54,018,887	2,725,251	57,653,511	114,397,649
<u>6,114,741</u>	<u>-</u>	<u>-</u>	<u>6,114,741</u>
<u>\$ 70,409,747</u>	<u>\$ 6,542,783</u>	<u>\$ 58,140,675</u>	<u>\$ 135,093,205</u>
\$ 471,726	\$ -	\$ -	\$ 471,726
23,214	-	-	23,214
29,433	-	-	29,433
418,211	-	-	418,211
<u>942,584</u>	<u>-</u>	<u>-</u>	<u>942,584</u>
53,950,243	-	-	53,950,243
15,516,920	-	-	15,516,920
<u>69,467,163</u>	<u>-</u>	<u>-</u>	<u>69,467,163</u>
-	6,542,783	-	6,542,783
-	-	58,140,675	58,140,675
<u>69,467,163</u>	<u>6,542,783</u>	<u>58,140,675</u>	<u>134,150,621</u>
<u>\$ 70,409,747</u>	<u>\$ 6,542,783</u>	<u>\$ 58,140,675</u>	<u>\$ 135,093,205</u>

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE, GAINS AND OTHER SUPPORT				
Contributions and bequests	\$ 4,736,031	\$ 1,297,436	\$ 4,109,414	\$ 10,142,881
Fees	4,048,055	-	-	4,048,055
Investment income	3,114,745	171,756	-	3,286,501
Change in fair value of split interest agreements	-	482,751	(293,126)	189,625
Gain (loss) on sale of assets	5,652	-	-	5,652
Other income	122,693	-	-	122,693
Net assets released from restrictions	2,399,906	(2,399,906)	-	-
Total revenue, gains and other support	<u>14,427,082</u>	<u>(447,963)</u>	<u>3,816,288</u>	<u>17,795,407</u>
Net realized and unrealized gains (losses) on long-term investments	<u>2,711,589</u>	<u>343,763</u>	<u>(158,783)</u>	<u>2,896,569</u>
Total revenue, realized & unrealized gains and other support	<u>17,138,671</u>	<u>(104,200)</u>	<u>3,657,505</u>	<u>20,691,976</u>
EXPENSES				
Group home programs	3,632,073	-	-	3,632,073
Single parent programs	848,634	-	-	848,634
Foster care & adoption services	5,851,058	-	-	5,851,058
Child and family programs	2,087,488	-	-	2,087,488
Advanced & student education	441,536	-	-	441,536
Program services	<u>12,860,789</u>	<u>-</u>	<u>-</u>	<u>12,860,789</u>
Fundraising	1,389,507	-	-	1,389,507
Management and general	1,720,695	-	-	1,720,695
Support services	<u>3,110,202</u>	<u>-</u>	<u>-</u>	<u>3,110,202</u>
Total expenses	<u>15,970,991</u>	<u>-</u>	<u>-</u>	<u>15,970,991</u>
CHANGE IN NET ASSETS	1,167,680	(104,200)	3,657,505	4,720,985
NET ASSETS, BEGINNING OF YEAR	<u>69,467,163</u>	<u>6,542,783</u>	<u>58,140,675</u>	<u>134,150,621</u>
NET ASSETS, END OF YEAR	<u>\$ 70,634,843</u>	<u>\$ 6,438,583</u>	<u>\$ 61,798,180</u>	<u>\$ 138,871,606</u>

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,999,723	\$ 354,990	\$ 268,115	\$ 10,622,828
2,984,114	-	-	2,984,114
3,036,738	238,262	341	3,275,341
-	122,658	63,717	186,375
(5,283)	-	-	(5,283)
103,695	-	-	103,695
879,224	(879,224)	-	-
<u>16,998,211</u>	<u>(163,314)</u>	<u>332,173</u>	<u>17,167,070</u>
<u>(1,432,538)</u>	<u>(215,573)</u>	<u>(5,044,557)</u>	<u>(6,692,668)</u>
<u>15,565,673</u>	<u>(378,887)</u>	<u>(4,712,384)</u>	<u>10,474,402</u>
3,428,211	-	-	3,428,211
857,070	-	-	857,070
4,459,600	-	-	4,459,600
2,129,918	-	-	2,129,918
451,581	-	-	451,581
<u>11,326,380</u>	<u>-</u>	<u>-</u>	<u>11,326,380</u>
1,296,360	-	-	1,296,360
<u>1,421,506</u>	<u>-</u>	<u>-</u>	<u>1,421,506</u>
<u>2,717,866</u>	<u>-</u>	<u>-</u>	<u>2,717,866</u>
<u>14,044,246</u>	<u>-</u>	<u>-</u>	<u>14,044,246</u>
1,521,427	(378,887)	(4,712,384)	(3,569,844)
<u>67,945,736</u>	<u>6,921,670</u>	<u>62,853,059</u>	<u>137,720,465</u>
<u>\$ 69,467,163</u>	<u>\$ 6,542,783</u>	<u>\$ 58,140,675</u>	<u>\$ 134,150,621</u>

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PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, bequests, etc.	\$ 11,767,622	\$ 4,643,077
Cash received from service recipients	3,970,841	3,354,146
Investment income	3,263,177	3,390,959
Miscellaneous receipts	127,827	109,821
Cash paid to employees and suppliers	(15,153,951)	(13,624,912)
Net cash provided by (used in) operating activities	3,975,516	(2,126,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,304,622)	(129,170)
Proceeds from sale of assets	6,500	15,735
Purchase of investments	(17,397,233)	(5,651,210)
Proceeds from sales of investments	18,668,595	5,310,416
Net cash used in investing activities	(4,026,760)	(454,229)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from contributions, bequests, etc.	239,074	2,547,705
Net cash provided by financing activities	239,074	2,547,705
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,830	(33,433)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,089,425	3,122,858
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,277,255	\$ 3,089,425
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net assets	\$ 4,720,985	\$ (3,569,844)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	460,637	312,815
(Increase) decrease in accounts receivable	(72,080)	376,158
Decrease in interest receivable	3,769	18,073
(Increase) decrease in contributions receivable	(2,169,201)	646,051
(Increase) decrease in prepaid assets	(5,059)	6,758
Increase in due from affiliate	(9,184)	(38,928)
(Increase) decrease in estates receivable	3,959,661	(4,144,429)
(Increase) decrease in notes receivable	(22,856)	76,466
Increase in accounts payable	188,594	23,993
Increase in payroll payable	5,673	5,079
Increase (decrease) in compensated absences	53,909	(3,187)
Increase (decrease) in other liabilities	6,200	(7,239)
Net realized and unrealized (gains) losses on long-term investments	(2,896,569)	6,692,668
Contributions restricted for long-term investments	(239,074)	(2,547,705)
Contributions of investments and fixed assets	(4,237)	21,079
(Gain) loss on sale of assets	(5,652)	5,283
Net cash provided by (used in) operating activities	\$ 3,975,516	\$ (2,126,909)

The accompanying notes are an integral part of this statement.

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PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

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 and their families. PCHAS's Foster Care and Adoption Programs provide therapeutic foster care in traditional foster homes throughout several communities in Texas and assists children in finding their forever family. Additionally, group foster care homes are located in Itasca and Waxahachie. The Single Parent programs in Weatherford, Waxahachie, San Antonio and Houston work to bring economic and emotional stability to children and their families. In addition, 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. 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 that 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 Expenses for 2016. 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

For the purposes of the Statements of Cash Flows, PCHAS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PCHAS maintains its cash in several financial institutions. All bank accounts are insured by the FDIC up to \$250,000 per financial institution. Based upon cash balances at a single financial institution, the federally-insured deposit limits are exceeded as of December 31, 2016 and 2015 by \$2,925,334 and \$2,684,725 respectively.

Investments

Investments in marketable securities are carried at market value 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 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 endowment's 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 of 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 and the value is determinable. The receivable for the estates is recorded at the estimated value of PCHAS's interest in the estate when the estate assets are distributed. Pledge contributions are recorded net of discount and allowance. Discounts and allowance are amortized over the term of the pledge contributions using the aging method.

Fixed Assets

PCHAS has adopted a capitalization threshold of \$2,000 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 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.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for meeting operational needs and its plans for property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such needs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Fees, Investment Income, and Gains Restricted by Donors

PCHAS recognizes revenue from contributions when they are received and program fees as the services are provided while expenses are reported as incurred. 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. Significant estimates in the financial statements relate to determination of the allowance for uncollectible receivables and pledges, depreciable lives of property and equipment, split interest receivables, and fair value of investments.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the supplemental schedule, the Schedule of Functional Expenses, for the year ended December 31, 2016. 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 support services that received benefit.

Income Tax Status

PCHAS is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). The Agency has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles. The last three tax years remain open to examination by taxing authorities.

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. Management believes there were none. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The purpose of this update was to provide a standard that increases consistency of revenue recognition for similar contracts, regardless of industry. It also provides for common revenue recognition standards for both U.S. Generally Accepted Accounting Principles (GAAP) and the International Accounting Standards Board (IASB). This update affects any organization recognizing revenue through various contracts with customers. The standard will become effective for PCHAS for fiscal years beginning after Dec 15, 2019.

In its simplest form, the new standard is a single, contract-based approach in which revenue is recognized when an entity satisfies its obligation to its customers, which occurs when controls over a good or service is transferred to a customer. Revenue and cost might change from current revenue recognition practices as it relates to the time and the amount recognized.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which applies to two types of leases: capital (or finance) leases and operating leases. While the requirements for a lessor under the new standard will remain similar to the current guidance, the requirements for a lessee are expanded. Previously, a lessee was only required to recognize capital leases on its balance sheet, however, the new standard now requires that a lessee recognize on the balance sheet assets and liabilities for leases with terms of more than 12 months, regardless of the type of lease. Leases with terms of less than 12 months are exempt from the new standard, if the organization makes the accounting policy election. The standard will become effective for PCHAS for fiscal years beginning after Dec 15, 2019.

The required recognition, measurement and presentation of cash flows by a lessee depend on the type of lease:

- (a) for capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability.
- (b) for operating leases, lessees will recognize a single total lease expense calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

For both types of leases, lessees will recognize a right-of-use asset and a lease liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

In August 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance provides for the following changes and will be effective for PCHAS for fiscal years beginning after December 15, 2017.

- (a) reduces the net asset classification from three to two categories: with donor restrictions and without donor restrictions, and expands the required disclosures about the nature and amount of any donor restrictions;
- (b) updates required disclosures for underwater endowments;
- (c) requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted;
- (d) requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between the functional and natural classification for all expenses;
- (e) requires qualitative disclosures on how a not-for-profit manages its available liquid resources;
- (f) requires quantitative disclosures that communicate the availability of financial assets to meet the cash needs for general expenditures within one year of the balance sheet date;
- (g) allows for a choice between the direct and indirect method of reporting operating cash flows and no longer requires the indirect reconciliation if the direct method is used.

Affiliation with Presbyterian Children's Homes and Services of Missouri

On January 15, 2013, Presbyterian Children's Homes and Services (PCHAS-TX), a Texas nonprofit corporation, entered into an affiliation agreement with Presbyterian Children's Homes and Services of Missouri (PCHAS-MO), formerly Children's Foundation of Mid-America, a Missouri nonprofit corporation. Under this affiliation, PCHAS-MO and PCHAS-TX remain separate corporations and operate programs independently. On January 15, 2013, PCHAS-MO and PCHAS-TX entered into a shared services agreement through which specified areas of knowledge and expertise are mutually shared. PCHAS-TX provides supervision and oversight to several PCHAS-MO departments including the human resources, administrative, finance, development and quality assurance staff. PCHAS-MO provides information technology support and some administrative support services to PCHAS-TX. As of December 31, 2016 and 2015, PCHAS-TX has a net receivable of \$218,131 and \$208,947 from PCHAS-MO, respectively. In 2016, PCHAS-TX provided \$75,543 of labor for administrative, development and financial support services to PCHAS-MO and the reimbursement of travel expenses and affiliated material purchases. In addition, PCHAS-MO provided \$66,359 of technology, mentoring program and accreditation support services to PCHAS-TX.

PCHAS-TX has also provided an \$850,000 line of credit to PCHAS-MO which accrues interest at the prime rate plus 0.5% and matures December 31, 2018. The balance under this line of credit was \$637,895 and \$615,193 at December 31, 2016 and 2015, respectively.

3. CASH AND INVESTMENTS

Deposits

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

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 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:

Investment Type	December 31, 2016		December 31, 2015	
	Cost Basis	Market Value	Cost Basis	Market Value
TPF pooled funds - stocks, bonds, gov't securities, real estate, alternative strategies	\$ 48,837,857	\$ 68,676,049	\$ 48,420,776	\$ 67,248,878
Debt securities	20,000	20,000	20,000	20,000
Beneficial interest in trusts	47,046,466	47,046,466	47,060,120	47,060,120
Alternative strategies	5,879	5,879	6,239	6,239
Real estate	261,696	261,696	49,646	49,646
Mineral interests	7,327	7,327	12,766	12,766
Total Investments	\$ 96,179,225	\$ 116,017,417	\$ 95,569,547	\$ 114,397,649

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.

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.

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Interest receivables	\$ 62,457	\$ 62,457	\$ 66,226	\$ 66,226
Contribution receivables	5,255,447	5,255,447	3,086,246	3,086,246
Estates receivables	2,816,457	2,816,457	6,776,118	6,776,118
Notes receivables	642,398	642,398	619,542	619,542
Long term investments	116,017,417	116,017,417	114,397,649	114,397,649

3. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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.

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, 2016 and 2015 from prior periods.

Common stocks, corporate bonds and U.S. government securities are 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.

3. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
TPF pooled funds - stocks, bonds, gov't securities, real estate, alternative strategies	\$ 68,676,049	\$ 56,045,110	\$ 12,630,939	\$ -
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	47,046,466	36,406,387	6,094,638	4,545,441
Real estate	261,696	-	261,696	-
Mineral interests	13,206	6,846	-	6,360
	<u>\$ 116,017,417</u>	<u>\$ 92,478,343</u>	<u>\$ 18,987,273</u>	<u>\$ 4,551,801</u>

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2016:

Beginning balance	\$ 4,503,147
Asset changes	23,442
Income	8,808
Realized gain	17,554
Unrealized loss	(1,150)
Ending balance	<u>\$ 4,551,801</u>

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
TPF pooled funds - stocks, bonds, gov't securities, real estate, alternative strategies	\$ 67,248,878	\$ 54,557,751	\$ 12,691,127	\$ -
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	47,060,120	35,633,592	6,930,077	4,496,451
Real estate	49,646	-	49,646	-
Mineral interests	19,005	12,309	-	6,696
	<u>\$ 114,397,649</u>	<u>\$ 90,223,652</u>	<u>\$ 19,670,850</u>	<u>\$ 4,503,147</u>

3. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2015:

Beginning balance	\$	4,670,124
Asset changes		(188,368)
Income		12,375
Realized loss		(14,769)
Unrealized gain		23,785
Ending balance	\$	<u>4,503,147</u>

4. RECEIVABLES

Accounts Receivable

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

		<u>2016</u>	<u>2015</u>
Accounts receivable	\$	433,690	\$ 368,982
Allowance for uncollectible accounts		(3,369)	(10,741)
	\$	<u>430,321</u>	<u>\$ 358,241</u>

Contributions

Contributions receivable consists of the following:

		<u>2016</u>	<u>2015</u>
Unrestricted donations receivable	\$	126,695	\$ 128,683
Permanently restricted donations receivable		1,550	50
Unrestricted pledges		105,735	196,286
Temporarily restricted pledges		345,847	303,137
Split interest gifts		4,728,292	2,561,934
Total receivables		<u>5,308,119</u>	<u>3,190,090</u>
Allowance for uncollectible pledges		(44,305)	(96,827)
Unamortized discount on pledges		(8,367)	(7,017)
Total	\$	<u>5,255,447</u>	<u>\$ 3,086,246</u>

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:

<u>IRS Discount Rate</u>			
<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2007	5.0%	2012	1.2%
2008	3.4%	2013	2.0%
2009	3.2%	2014	2.0%
2010	1.8%	2015	2.0%
2011	1.6%	2016	1.8%

4. RECEIVABLES (Continued)

Contributions (Continued)

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 2015 to 2016 is an increase of \$189,625 and from 2014 to 2015 was an increase of \$186,375.

Total contribution receivables expected to be received within one year total \$532,449; between one to five years \$3,265,820 and longer than 5 years are \$1,509,850.

Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total \$2,816,457 and \$6,776,118 as of December 31, 2016 and 2015, respectively. Amounts expected to be received within one year are \$2,775,438 and between one and five years \$41,019.

Notes Receivable

As of December 31, 2016 and 2015, the balance in notes receivable includes principal and accumulated interest of \$637,895 and \$615,193 due from a note to Presbyterian Children's Homes and Services of Missouri (PCHAS-MO), a Missouri nonprofit corporation, and \$4,503 and \$4,349 due from others, respectively. In January of 2013, PCHAS-TX and PCHAS-MO entered into an affiliation agreement that is expected to provide mutual benefit to the organizations. PCHAS-TX has extended an \$850,000 line of credit to PCHAS-MO. Interest accrues at the rate of prime plus 0.5%. The line of credit is scheduled to mature on December 31, 2018.

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

5. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

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, 2016

Endowment Type	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 2,833,339	\$ 61,798,180	\$ 64,631,519
Board designated	55,152,621	-	-	55,152,621
Total investments	<u>\$ 55,152,621</u>	<u>\$ 2,833,339</u>	<u>\$ 61,798,180</u>	<u>\$ 119,784,140</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

Endowment Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 53,950,243	\$ 2,725,251	\$ 58,140,675	\$ 114,816,169
<u>Investment return</u>				
Investment return	569,267	78,274	-	647,541
Net appreciation (depreciation) realized & unrealized	2,710,057	343,717	(451,909)	2,601,865
Total investment return	<u>3,279,324</u>	<u>421,991</u>	<u>(451,909)</u>	<u>3,249,406</u>
Contributions	-	-	4,109,414	4,109,414
Appropriation of endowment assets for expenditure	1,892,106	-	-	1,892,106
Transfer to undesignated	(3,969,052)	(313,903)	-	(4,282,955)
Ending balance	<u>\$ 55,152,621</u>	<u>\$ 2,833,339</u>	<u>\$ 61,798,180</u>	<u>\$ 119,784,140</u>

5. ENDOWMENT FUNDS (Continued)

Endowment Net Asset Classification by Type of Fund as of December 31, 2015

Endowment Type	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 2,725,251	\$ 58,140,675	\$ 60,865,926
Board designated	53,950,243	-	-	53,950,243
Total investments	<u>\$ 53,950,243</u>	<u>\$ 2,725,251</u>	<u>\$ 58,140,675</u>	<u>\$ 114,816,169</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

Endowment Assets	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 57,364,537	\$ 3,151,538	\$ 62,853,059	\$ 123,369,134
<u>Investment return</u>				
Investment return	651,591	74,495	-	726,086
Net depreciation realized & unrealized	<u>(1,433,451)</u>	<u>(215,573)</u>	<u>(4,980,499)</u>	<u>(6,629,523)</u>
Total investment return	<u>(781,860)</u>	<u>(141,078)</u>	<u>(4,980,499)</u>	<u>(5,903,437)</u>
Contributions	-	-	268,115	268,115
Appropriation of endowment assets for expenditure	292,958	-	-	292,958
Transfer to undesignated	<u>(2,925,392)</u>	<u>(285,209)</u>	-	<u>(3,210,601)</u>
Ending balance	<u>\$ 53,950,243</u>	<u>\$ 2,725,251</u>	<u>\$ 58,140,675</u>	<u>\$ 114,816,169</u>

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 eight (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 12/31/2015	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2016
Land	\$ 959,808	\$ -	\$ -	\$ 959,808
Buildings and improvements	11,231,091	5,042,453	-	16,273,544
Furniture and equipment	605,723	262,169	(10,300)	857,592
Vehicles	18,047	-	-	18,047
Total fixed assets	12,814,669	5,304,622	(10,300)	18,108,991
Less: accumulated depreciation	(6,699,928)	(460,637)	9,452	(7,151,113)
Net fixed assets	<u>\$ 6,114,741</u>	<u>\$ 4,843,985</u>	<u>\$ (848)</u>	<u>\$ 10,957,878</u>

Depreciation expense totaled \$460,637 in 2016 and \$312,815 in 2015.

PCHAS reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairments of assets indicated in 2016 or 2015, respectively.

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:

	2016	2015
Permanent improvements	\$ 1,242,274	\$ 259,644
Advanced education	3,728,264	3,483,269
General education	281,100	176,394
Christian education	30,792	29,646
Special Services	22,773	22,755
Time restrictions	1,083,409	2,427,749
Other	49,971	143,326
Total	<u>\$ 6,438,583</u>	<u>\$ 6,542,783</u>

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:

	2016	2015
Permanent improvements	\$ 30,415	\$ 105,537
Advanced education	83,110	114,200
General education	58,342	122,644
Christian education	7,136	6,332
Special Services	1,785	1,683
Time restrictions	2,106,953	516,253
Other	112,165	12,575
Total	<u>\$ 2,399,906</u>	<u>\$ 879,224</u>

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:

	2016	2015
Advanced education	\$ 3,943,094	\$ 3,931,737
General education	4,432,974	4,407,009
Christian education	255,803	250,482
Special services	10,553	10,553
Permanent improvements	1,450,918	1,425,467
Other	83,845	72,420
Undesignated	51,620,993	48,043,007
Total	<u>\$ 61,798,180</u>	<u>\$ 58,140,675</u>

8. EMPLOYEE DEFINED CONTRIBUTION PLAN

PCHAS has established a 403(b) defined contribution plan 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 \$534,961 and \$487,845 to the plan on behalf of employees during the year ended December 31, 2016 and 2015, respectively. No significant changes were made to the plan.

9. OPERATING LEASES

PCHAS leases office space under operating leases that have initial or remaining non-cancelable lease terms in excess of one year. In addition, PCHAS leases its fleet vehicles under an agreement that does not require a minimum term. As of December 31, 2016 the minimum lease payments for those operating leases are as follows:

	Year Ending December 31	
2017	\$	205,773
2018		158,043
2019		160,328
2020		162,614
Thereafter		91,492
	\$	<u>778,250</u>

Rent expense totaled \$437,162 in 2016 and \$393,576 in 2015.

10. SUBSEQUENT EVENTS

Management of PCHAS has evaluated subsequent events through July 6, 2017, the issuance date of this report. Consequently, there are no particular events that have any material effect related to the financial position of the organization for the year ending December 31, 2016 and do not require additional disclosure.

SUPPLEMENTAL SCHEDULE

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Classification	Group Home Programs	Single Parent Programs	Foster Care & Adoption Services	Child & Family Programs	Advanced & Student Education
Aftercare	\$ -	\$ -	\$ -	\$ -	\$ 1,560
Allowance	20,050	-	-	-	22,950
Association dues & fees	425	616	3,416	3,018	96
Bad debt expense	-	-	-	-	-
Bank service fees	400	-	26	26	-
Campus activities	5,997	680	-	-	-
Charitable giving	7,595	-	-	-	-
Children's gifts	30,736	3,811	17,280	-	1,748
Christian education	3,646	732	54	112	-
Clothing	36,050	978	-	-	-
Computer	35,292	13,012	37,092	36,426	10,622
Daycare	-	5,984	-	-	-
Depreciation	169,368	74,787	29,862	2,792	11,509
Employee relations	1,405	628	2,189	1,111	401
Entertainment & hospitality	6,058	2,115	23,980	6,133	693
Food	140,872	3,613	-	-	-
Foster care fees	-	-	1,947,536	-	-
Furniture and equipment	19,282	2,374	11,072	1,406	189
Grooming & personal care	10,228	547	-	-	-
Grounds maintenance	5,692	9,877	270	-	-
Housekeeping supplies	38,123	7,159	3,529	700	130
Insurance	98,571	38,579	58,523	24,287	6,745
Interest & financing fees	112	-	79	-	-
Legal	-	-	1,868	-	-
Licensing expense	3,448	484	-	-	-
Mailing services	-	-	-	-	-
Medical care	5,758	811	300	-	-
Miscellaneous	1,070	179	382	111	-

Total Program Services	Fundraising	Management and General	Total Support Services	Total
\$ 1,560	\$ -	\$ -	\$ -	\$ 1,560
43,000	-	-	-	43,000
7,571	532	8,277	8,809	16,380
-	-	6,892	6,892	6,892
452	-	50,982	50,982	51,434
6,677	-	-	-	6,677
7,595	-	-	-	7,595
53,575	-	-	-	53,575
4,544	-	-	-	4,544
37,028	-	-	-	37,028
132,444	32,963	30,173	63,136	195,580
5,984	-	-	-	5,984
288,318	19,760	152,559	172,319	460,637
5,734	769	858	1,627	7,361
38,979	6,857	2,947	9,804	48,783
144,485	-	-	-	144,485
1,947,536	-	-	-	1,947,536
34,323	7,430	82,305	89,735	124,058
10,775	-	-	-	10,775
15,839	-	3,345	3,345	19,184
49,641	1,016	3,580	4,596	54,237
226,705	16,966	48,201	65,167	291,872
191	111	402	513	704
1,868	-	850	850	2,718
3,932	-	-	-	3,932
-	31,069	-	31,069	31,069
6,869	-	-	-	6,869
1,742	-	27	27	1,769

(continued)

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

Classification	Group Home Programs	Single Parent Programs	Foster Care & Adoption Services	Child & Family Programs	Advanced & Student Education
Office supplies	17,901	2,278	23,555	9,385	788
Outreach	-	11,233	11,502	122,954	-
Personnel - salaries	1,720,542	378,221	2,352,059	1,244,268	257,628
Personnel - benef & taxes	571,040	111,395	677,164	372,315	53,491
Photography	222	-	243	-	-
Post adoption services	-	-	582	-	-
Postal & delivery fees	1,241	408	3,906	1,632	465
Printing services	365	396	2,284	1,287	-
Program supplies	2,189	1,839	5,342	11,986	927
Public relations	1,121	912	6,523	2,704	-
Professional services	17,377	4,352	74,955	13,936	2,110
Recreation	38,875	8,702	-	-	-
Recruiting	9,111	1,076	10,599	3,775	1,609
Rent	105,959	21,843	229,529	43,016	16,981
Room & board - college	-	-	-	-	3,722
Repairs & maintenance	196,553	33,244	24,499	5,042	3,098
Safety program	6,324	3,006	25,698	2,042	121
School activities	6,260	-	-	-	-
School supplies	4,474	447	-	7,243	282
Senior retreat	-	-	-	-	823
Special events	4,620	202	4,407	1,688	-
Staff training	4,705	3,369	34,259	9,820	1,841
Taxes	-	-	-	-	-
Telephone	25,136	13,929	40,053	34,575	2,993
Therapy/psychiatric care	13,212	-	-	5,943	-
Transp - maintenance	27,496	4,463	9,117	5,559	1,119
Transp - gasoline	44,230	7,131	12,945	8,415	1,414
Travel - children/clients	94	439	86	-	688
Travel	10,450	9,538	150,595	102,435	5,972
Tuition and fees	1,035	320	-	-	24,646
Utilities	161,363	62,925	13,698	1,346	4,175
Total	\$ 3,632,073	\$ 848,634	\$ 5,851,058	\$ 2,087,488	\$ 441,536

Total Program Services	Fundraising	Management and General	Total Support Services	Total
53,907	7,186	5,290	12,476	66,383
145,689	-	-	-	145,689
5,952,718	735,093	901,995	1,637,088	7,589,806
1,785,405	172,554	250,016	422,570	2,207,975
465	-	-	-	465
582	-	-	-	582
7,652	62,680	3,545	66,225	73,877
4,332	83,335	375	83,710	88,042
22,283	-	-	-	22,283
11,260	21,243	-	21,243	32,503
112,730	40,241	41,472	81,713	194,443
47,577	-	-	-	47,577
26,170	-	-	-	26,170
417,328	10,717	9,117	19,834	437,162
3,722	-	-	-	3,722
262,436	22,984	30,687	53,671	316,107
37,191	1,264	260	1,524	38,715
6,260	-	-	-	6,260
12,446	-	-	-	12,446
823	-	-	-	823
10,917	43,966	-	43,966	54,883
53,994	1,254	801	2,055	56,049
-	-	26,638	26,638	26,638
116,686	9,740	9,377	19,117	135,803
19,155	-	-	-	19,155
47,754	6,591	2,095	8,686	56,440
74,135	3,793	1,919	5,712	79,847
1,307	-	-	-	1,307
278,990	43,607	27,874	71,481	350,471
26,001	-	-	-	26,001
243,507	5,786	17,836	23,622	267,129
<u>\$ 12,860,789</u>	<u>\$ 1,389,507</u>	<u>\$ 1,720,695</u>	<u>\$ 3,110,202</u>	<u>\$ 15,970,991</u>

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