

PRESBYTERIAN CHILDREN'S
HOMES AND SERVICES
(a non-profit organization)
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2017 and 2016



Presbyterian Children's
Homes and Services

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

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Presbyterian Children's Homes and ServicesSM

July 5, 2018

Dear Friends of Presbyterian Children's Homes and Services,

Presbyterian Children's Homes and Services is a faith-based Christian organization which strives to serve like Jesus. We meet children and families where they are and treat them with respect. We focus on our clients' strengths rather than their problems. And we encourage our clients to focus on their future rather than their past. When we do this well, we help children and families find hope and know the love of God.

In 2017, we remained committed to partner with like-minded organizations. We maintained strategic alliances with organizations such as Masonic Home and School of Texas and Juliette Fowler Communities that help us expand our services to even more clients. These collaborations allow us to broaden our continuum of services to help meet the growing needs of children and families in crisis. We also continued to provide support to single parents and their children with our Houston Single Parent program. Homes built on property provided by St. John's Presbyterian Church house families while they transition from crisis to sustainable success.

We continue to evolve to meet the needs of those children and families who need us, a process that has manifested as expanded single parent and child services at our Waxahachie campus, as well as the expansion of our San Antonio campus. We are pleased to report that our affiliation with Presbyterian Children's Homes and Services of Missouri has culminated in a unification of efforts on behalf of children and families in three states. During 2017, our Board elected to merge with PCHAS-MO and, in January 2018, we united as one agency.

We are pleased to present the 2017 audited financial statements of 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 young people feel in our care. These financial statements do, however, reflect the tremendous sense of stewardship and commitment that the Board of Trustees, management and staff have felt toward the Christian mission we fulfill. They are a reflection of our current ministries and the strategic direction set by our Board of Trustees. PCHAS' financial statements are audited annually by a certified public accounting firm as a means of providing assurance of the agency's effective stewardship of resources.

Please pray for children who are abused, neglected, abandoned or suffer other trauma. As a community in Christ, we collectively make a positive impact in the lives of children and families.

Sincerely,

A handwritten signature in blue ink that reads "D. Thompson". The signature is fluid and cursive.

David Thompson
President and CEO

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
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, 2017 and 2016, 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 as of December 31, 2017 and 2016, 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 26, 2018

FINANCIAL STATEMENTS

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 2,376,073	\$ 2,761,552	\$ 33,589	\$ 5,171,214
Short-term investments	43,788	-	-	43,788
Accounts receivable, net of allowance	474,283	-	-	474,283
Interest receivable	15,998	-	-	15,998
Contributions receivable, net of allowance and discount	244,060	1,230,553	4,644,830	6,119,443
Estates receivable	274,657	-	41,019	315,676
Prepaid assets	50,835	-	-	50,835
Due from affiliate	228,892	-	-	228,892
Notes receivable	895,017	-	-	895,017
Long-term investments	64,320,188	3,827,083	62,733,159	130,880,430
Property and equipment, net of accumulated depreciation	10,119,614	-	-	10,119,614
Total assets	\$ 79,043,405	\$ 7,819,188	\$ 67,452,597	\$ 154,315,190
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 486,912	\$ -	\$ -	\$ 486,912
Payroll payable	28,343	-	-	28,343
Other liabilities	35,927	-	-	35,927
Compensated absences	415,331	-	-	415,331
Total liabilities	966,513	-	-	966,513
Net assets:				
Unrestricted				
Board designated	64,145,942	-	-	64,145,942
Undesignated	13,930,950	-	-	13,930,950
Total unrestricted	78,076,892	-	-	78,076,892
Temporarily restricted	-	7,819,188	-	7,819,188
Permanently restricted	-	-	67,452,597	67,452,597
Total net assets	78,076,892	7,819,188	67,452,597	153,348,677
Total liabilities and net assets	\$ 79,043,405	\$ 7,819,188	\$ 67,452,597	\$ 154,315,190

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 724,904	\$ 2,488,070	\$ 64,281	\$ 3,277,255
51,292	-	-	51,292
430,321	-	-	430,321
62,457	-	-	62,457
201,955	1,117,174	3,936,318	5,255,447
2,775,438	-	41,019	2,816,457
339,513	-	-	339,513
218,131	-	-	218,131
642,398	-	-	642,398
55,427,516	2,833,339	57,756,562	116,017,417
10,957,878	-	-	10,957,878
<u>\$ 71,831,803</u>	<u>\$ 6,438,583</u>	<u>\$ 61,798,180</u>	<u>\$ 140,068,566</u>
\$ 660,320	\$ -	\$ -	\$ 660,320
28,887	-	-	28,887
35,633	-	-	35,633
472,120	-	-	472,120
<u>1,196,960</u>	<u>-</u>	<u>-</u>	<u>1,196,960</u>
55,152,622	-	-	55,152,622
15,482,221	-	-	15,482,221
<u>70,634,843</u>	<u>-</u>	<u>-</u>	<u>70,634,843</u>
-	6,438,583	-	6,438,583
-	-	61,798,180	61,798,180
<u>70,634,843</u>	<u>6,438,583</u>	<u>61,798,180</u>	<u>138,871,606</u>
<u>\$ 71,831,803</u>	<u>\$ 6,438,583</u>	<u>\$ 61,798,180</u>	<u>\$ 140,068,566</u>

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, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE, GAINS AND OTHER SUPPORT				
Contributions and bequests	\$ 4,508,277	\$ 314,362	\$ 189,629	\$ 5,012,268
Fees	4,535,761	-	-	4,535,761
Investment income	2,873,515	169,226	-	3,042,741
Change in fair value of split interest agreements	-	55,227	709,862	765,089
Gain (loss) on sale of assets	1,421,896	-	-	1,421,896
Other income	148,218	-	-	148,218
Net assets released from restrictions	409,040	(409,040)	-	-
Total revenue, gains and other support	<u>13,896,707</u>	<u>129,775</u>	<u>899,491</u>	<u>14,925,973</u>
Net realized and unrealized gains (losses) on long-term investments	<u>9,869,690</u>	<u>1,250,830</u>	<u>4,754,926</u>	<u>15,875,446</u>
Total revenue, realized & unrealized gains (losses) and other support	<u>23,766,397</u>	<u>1,380,605</u>	<u>5,654,417</u>	<u>30,801,419</u>
EXPENSES				
Group home programs	3,011,837	-	-	3,011,837
Single parent programs	1,074,535	-	-	1,074,535
Foster care & adoption services	6,658,025	-	-	6,658,025
Child and family programs	2,145,894	-	-	2,145,894
Advanced & student education	407,888	-	-	407,888
Program services	<u>13,298,179</u>	<u>-</u>	<u>-</u>	<u>13,298,179</u>
Fundraising	1,400,773	-	-	1,400,773
Management and general	1,625,396	-	-	1,625,396
Support services	<u>3,026,169</u>	<u>-</u>	<u>-</u>	<u>3,026,169</u>
Total expenses	<u>16,324,348</u>	<u>-</u>	<u>-</u>	<u>16,324,348</u>
CHANGE IN NET ASSETS	7,442,049	1,380,605	5,654,417	14,477,071
NET ASSETS, BEGINNING OF YEAR	<u>70,634,843</u>	<u>6,438,583</u>	<u>61,798,180</u>	<u>138,871,606</u>
NET ASSETS, END OF YEAR	<u>\$ 78,076,892</u>	<u>\$ 7,819,188</u>	<u>\$ 67,452,597</u>	<u>\$ 153,348,677</u>

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 4,736,031	\$ 1,297,436	\$ 4,109,414	\$ 10,142,881
4,048,055	-	-	4,048,055
3,114,745	171,756	-	3,286,501
-	482,751	(293,126)	189,625
5,652	-	-	5,652
122,693	-	-	122,693
2,399,906	(2,399,906)	-	-
<u>14,427,082</u>	<u>(447,963)</u>	<u>3,816,288</u>	<u>17,795,407</u>
<u>2,711,589</u>	<u>343,763</u>	<u>(158,783)</u>	<u>2,896,569</u>
<u>17,138,671</u>	<u>(104,200)</u>	<u>3,657,505</u>	<u>20,691,976</u>
3,632,073	-	-	3,632,073
848,634	-	-	848,634
5,851,058	-	-	5,851,058
2,087,488	-	-	2,087,488
441,536	-	-	441,536
<u>12,860,789</u>	<u>-</u>	<u>-</u>	<u>12,860,789</u>
1,389,507	-	-	1,389,507
1,720,695	-	-	1,720,695
<u>3,110,202</u>	<u>-</u>	<u>-</u>	<u>3,110,202</u>
15,970,991	-	-	15,970,991
1,167,680	(104,200)	3,657,505	4,720,985
<u>69,467,163</u>	<u>6,542,783</u>	<u>58,140,675</u>	<u>134,150,621</u>
<u>\$ 70,634,843</u>	<u>\$ 6,438,583</u>	<u>\$ 61,798,180</u>	<u>\$ 138,871,606</u>

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PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, bequests, etc.	\$ 7,106,296	\$ 11,767,622
Cash received from service recipients	4,490,464	3,970,841
Investment income	3,056,282	3,263,177
Miscellaneous receipts	149,553	127,827
Cash paid to employees and suppliers	(15,694,191)	(15,153,951)
Net cash provided by (used in) operating activities	(891,596)	3,975,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(430,859)	(5,304,622)
Proceeds from sale of assets	2,225,199	6,500
Purchase of investments	(5,532,883)	(17,397,233)
Proceeds from sales of investments	6,333,119	18,668,595
Net cash provided by (used in) investing activities	2,594,576	(4,026,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from contributions, bequests, etc.	190,979	239,074
Net cash provided by financing activities	190,979	239,074
INCREASE IN CASH AND CASH EQUIVALENTS	1,893,959	187,830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,277,255	3,089,425
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,171,214	\$ 3,277,255
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net assets	\$ 14,477,071	\$ 4,720,985
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	465,820	460,637
Increase in accounts receivable	(43,962)	(72,080)
Decrease in interest receivable	46,459	3,769
Increase in contributions receivable	(863,996)	(2,169,201)
(Increase) decrease in prepaid assets	288,678	(5,059)
Increase in due from affiliate	(10,761)	(9,184)
Decrease in estates receivable	2,500,781	3,959,661
Increase in notes receivable	(252,619)	(22,856)
Increase (decrease) in accounts payable	(173,408)	188,594
Increase (decrease) in payroll payable	(544)	5,673
Increase (decrease) in compensated absences	(56,789)	53,909
Increase in other liabilities	294	6,200
Net realized and unrealized gains on long-term investments	(15,875,446)	(2,896,569)
Contributions restricted for long-term investments	(190,979)	(239,074)
Contributions of investments and fixed assets	219,701	(4,237)
Gain on sale of assets	(1,421,896)	(5,652)
Net cash provided by (used in) operating activities	\$ (891,596)	\$ 3,975,516

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, 2017 and 2016

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. Group foster care homes are located in Itasca, while Single Parent programs, which work to bring economic and emotional stability to children and their families, are located in Waxahachie, San Antonio and Houston. In addition, 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 2017. 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 Federal Deposit Insurance Corporation (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, 2017 and 2016 by \$4,378,946 and \$2,925,334 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	7 - 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 Trustees of PCHAS 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 GAAP, 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, 2017. 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 (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). PCHAS has concluded that no tax benefits or liabilities are required to be recognized in accordance with GAAP. The last three tax years remain open to examination by taxing authorities.

PCHAS has adopted FASB Accounting Standard Codification (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 Accounting Standards Update (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, 2018.

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 Accounting Pronouncements (Continued)

In August 2016, FASB issued 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, PCHAS, 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 remain separate corporations and operate programs independently. On January 15, 2013, PCHAS-MO and PCHAS entered into a shared services agreement through which specified areas of knowledge and expertise are mutually shared. PCHAS 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. As of December 31, 2017 and 2016, PCHAS has a net receivable of \$228,892 and \$218,131 from PCHAS-MO, respectively. In 2017, PCHAS provided \$74,510 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 \$63,749 of technology, mentoring program and accreditation support services to PCHAS.

PCHAS 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 \$890,327 and \$637,895 at December 31, 2017 and 2016, respectively. The current balance includes principal of \$828,733 and accumulated interest of \$61,594.

As described in Note 10 Subsequent Events, PCHAS and PCHAS-MO merged effective January 1, 2018 after five years of affiliation.

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 and securities all of which were donated. Long-term investments at the end of the year consist of the following:

Investment Type	December 31, 2017		December 31, 2016	
	Cost Basis	Market Value	Cost Basis	Market Value
TPF pooled funds - stocks, bonds, gov't securities, real estate, alternative strategies	\$ 50,365,389	\$ 78,856,583	\$ 48,837,857	\$ 68,676,049
Debt securities	20,000	20,000	20,000	20,000
Beneficial interest in trusts	47,046,466	51,829,594	47,046,466	47,046,466
Alternative strategies	5,879	5,947	5,879	5,879
Real estate	261,696	161,133	261,696	261,696
Mineral interests	7,327	7,173	7,327	7,327
Total investments	<u>\$ 97,706,757</u>	<u>\$ 130,880,430</u>	<u>\$ 96,179,225</u>	<u>\$ 116,017,417</u>

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.

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Interest receivable	\$ 15,998	\$ 15,998	\$ 62,457	\$ 62,457
Contribution receivable	6,119,443	6,119,443	5,255,447	5,255,447
Estates receivable	315,676	315,676	2,816,457	2,816,457
Notes receivable	895,017	895,017	642,398	642,398
Long term investments	130,880,430	130,880,430	116,017,417	116,017,417

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, 2017 and 2016 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 real estate investment trusts (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, 2017:

	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	78,856,583	\$ 64,516,225	\$ 14,340,358	\$ -
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	51,829,594	43,706,114	3,008,596	5,114,884
Real estate	161,133	-	161,133	-
Mineral interests	13,120	6,669	-	6,451
	<u>\$ 130,880,430</u>	<u>\$ 108,249,008</u>	<u>\$ 17,510,087</u>	<u>\$ 5,121,335</u>

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2017:

Beginning balance	\$ 4,551,801
Asset changes	275,224
Income	9,069
Realized gain	67,036
Unrealized loss	218,205
Ending balance	<u>\$ 5,121,335</u>

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>

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, 2016:

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

4. RECEIVABLES

Accounts Receivable

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

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 478,508	\$ 433,690
Allowance for uncollectible accounts	(4,225)	(3,369)
	<u>\$ 474,283</u>	<u>\$ 430,321</u>

Contributions

Contributions receivable consists of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted donations receivable	\$ 150,792	\$ 126,695
Temporarily restricted donations receivable	\$ 600	\$ -
Permanently restricted donations receivable	200	1,550
Unrestricted pledges	123,080	105,735
Temporarily restricted pledges	474,390	345,847
Permanently restricted pledges	-	-
Split interest gifts	5,434,673	4,728,292
Total receivables	<u>6,183,735</u>	<u>5,308,119</u>
Allowance for uncollectible pledges	(52,147)	(44,305)
Unamortized discount on pledges	(12,145)	(8,367)
Total	<u>\$ 6,119,443</u>	<u>\$ 5,255,447</u>

In calculating the present value of the long-term pledges, PCHAS used the Internal Revenue Service (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>	<u>Year</u>	<u>Rate</u>
2007	5.0%	2011	1.6%	2015	2.0%
2008	3.4%	2012	1.2%	2016	1.8%
2009	3.2%	2013	2.0%	2017	2.6%
2010	1.8%	2014	2.0%		

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 2016 to 2017 is an increase of \$765,089 and from 2015 to 2016 is an increase of \$189,625.

Total contribution receivables expected to be received within one year total \$1,984,460; between one to five years \$1,780,096 and longer than 5 years are \$1,670,117.

Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total \$315,676 and \$2,816,457 as of December 31, 2017 and 2016, respectively. Amounts expected to be received within one year are \$274,657 and between one and five years \$41,019.

Notes Receivable

As of December 31, 2017 and 2016, the balance in notes receivable includes principal and accumulated interest of \$890,327 and \$637,895 due from a note to PCHAS-MO, a Missouri nonprofit corporation, and \$4,690 and \$4,503 due from others, respectively. In January of 2013, PCHAS and PCHAS-MO entered into an affiliation agreement that is expected to provide mutual benefit to the organizations. PCHAS has extended an \$850,000 line of credit to PCHAS-MO. Interest accrues at the rate of prime plus 0.5%. The current balance includes principle of \$828,733 and accumulated interest of \$61,594. 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

5. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

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, 2017

Endowment Type	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 3,827,083	\$ 67,452,597	\$ 71,279,680
Board designated	64,145,942	-	-	64,145,942
Total investments	<u>\$ 64,145,942</u>	<u>\$ 3,827,083</u>	<u>\$ 67,452,597</u>	<u>\$ 135,425,622</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017

Endowment Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 55,152,621	\$ 2,833,339	\$ 61,798,180	\$ 119,784,140
<u>Investment return</u>				
Investment return	682,013	91,587	-	773,600
Net appreciation (depreciation) realized & unrealized	9,865,041	1,250,830	5,464,788	16,580,659
Total investment return	<u>10,547,054</u>	<u>1,342,417</u>	<u>5,464,788</u>	<u>17,354,259</u>
Contributions	-	-	189,629	189,629
Appropriation of endowment assets for expenditure	58,709	-	-	58,709
Transfer to undesignated	(1,612,442)	(348,673)	-	(1,961,115)
Ending balance	<u>\$ 64,145,942</u>	<u>\$ 3,827,083</u>	<u>\$ 67,452,597</u>	<u>\$ 135,425,622</u>

5. ENDOWMENT FUNDS (Continued)

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 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>

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 12/31/2016	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2017
Land	\$ 959,808	\$ -	\$ (15,000)	\$ 944,808
Buildings and improvements	16,273,544	388,728	(1,428,516)	15,233,756
Furniture and equipment	857,592	32,819	(102,131)	788,280
Vehicles	18,047	-	-	18,047
Capital work in progress	-	9,312	-	9,312
Total fixed assets	18,108,991	430,859	(1,545,647)	16,994,203
Less: accumulated depreciation	(7,151,113)	(465,820)	742,344	(6,874,589)
Net fixed assets	\$ 10,957,878	\$ (34,961)	\$ (803,303)	\$ 10,119,614

Depreciation expense totaled \$465,820 in 2017 and \$460,637 in 2016.

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 2017 or 2016, respectively.

7. NET ASSET CLASSIFICATIONS

Unrestricted

Unrestricted net assets represent resources over which the Board of Trustees have 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:

	2017	2016
Permanent improvements	\$ 1,277,542	\$ 1,242,274
Advanced education	4,507,483	3,728,264
General education	716,982	281,100
Christian education	47,378	30,792
Special services	26,630	22,773
Time restrictions	1,195,502	1,083,409
Other	47,671	49,971
Total	\$ 7,819,188	\$ 6,438,583

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:

	<u>2017</u>	<u>2016</u>
Permanent improvements	\$ 13,101	\$ 30,415
Advanced education	45,785	83,110
General education	91,078	58,342
Christian education	6,465	7,136
Special Services	1,810	1,785
Time restrictions	215,099	2,106,953
Other	35,702	112,165
Total	<u>\$ 409,040</u>	<u>\$ 2,399,906</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:

	<u>2017</u>	<u>2016</u>
Advanced education	\$ 4,098,936	\$ 3,943,094
General education	4,735,965	4,432,974
Christian education	247,705	255,803
Special services	10,553	10,553
Permanent improvements	1,650,285	1,450,918
Other	15,175	83,845
Undesignated	56,693,978	51,620,993
Total	<u>\$ 67,452,597</u>	<u>\$ 61,798,180</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 \$570,435 and \$534,961 to the plan on behalf of employees during the year ended December 31, 2017 and 2016, 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, 2017 the minimum lease payments for those operating leases are as follows:

	Year Ending December 31	
2018	\$	166,443
2019		160,328
2020		162,614
2021		53,692
Thereafter		37,800
	\$	<u>580,877</u>

Rent expense totaled \$442,833 in 2017 and \$437,162 in 2016.

10. SUBSEQUENT EVENTS

Management of PCHAS has evaluated subsequent events through July 26, 2018, the issuance date of this report.

Subsequent to year end, PCHAS entered into an agreement to merge with PCHAS-MO, after five years of affiliation. PCHAS-MO is a non-profit corporation providing residential treatment programs for adolescents, professional services such as community based case management programs for children of all ages and other related family services. The merger is effective January 1, 2018.

SUPPLEMENTAL SCHEDULE

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Classification	Group Home Programs	Single Parent Programs	Foster Care & Adoption Services	Child & Family Programs	Advanced & Student Education
Aftercare	\$ 4,276	\$ -	\$ -	\$ -	\$ 2,730
Allowance	16,225	-	-	-	19,350
Association dues & fees	345	159	2,070	2,535	163
Bad debt expense	-	-	-	-	-
Bank service fees	148	-	-	-	-
Campus activities	4,184	480	-	-	316
Charitable giving	6,083	-	-	-	-
Children's gifts	17,303	9,937	28,114	-	6,773
Christian education	3,938	56	-	-	-
Clothing	26,416	2,791	520	-	-
Computer	38,833	17,245	49,508	24,556	6,657
Daycare	-	1,575	-	-	-
Depreciation	117,918	116,606	97,224	9,334	11,307
Employee relations	1,199	561	2,337	600	49
Entertainment & hospitality	5,576	2,185	28,264	7,773	1,148
Estate administration	-	-	-	-	-
Food	120,158	3,133	-	-	-
Foster care fees	-	-	2,081,653	-	-
Furniture and equipment	18,289	8,594	16,359	3,621	448
Grooming & personal care	9,469	324	-	-	-
Grounds maintenance	3,596	8,273	-	-	-
Housekeeping supplies	33,777	10,955	6,897	832	498
Insurance	58,126	40,124	79,031	31,359	7,468
Interest & financing fees	60	-	9	-	-
Legal	-	-	10,847	-	-
Licensing expense	2,720	426	-	-	-
Mailing services	-	-	-	-	-
Medical care	2,676	318	2,164	-	-
Miscellaneous	1,009	4	65	46	-

Total Program Services	Fundraising	Management and General	Total Support Services	Total
\$ 7,006	\$ -	\$ -	\$ -	\$ 7,006
35,575	-	-	-	35,575
5,272	1,712	9,100	10,812	16,084
-	-	2,656	2,656	2,656
148	-	45,218	45,218	45,366
4,980	-	-	-	4,980
6,083	-	500	500	6,583
62,127	-	-	-	62,127
3,994	-	-	-	3,994
29,727	-	-	-	29,727
136,799	45,640	21,862	67,502	204,301
1,575	-	-	-	1,575
352,389	44,123	69,308	113,431	465,820
4,746	530	9,029	9,559	14,305
44,946	6,168	4,772	10,940	55,886
-	-	8,343	8,343	8,343
123,291	-	-	-	123,291
2,081,653	-	-	-	2,081,653
47,311	3,521	5,938	9,459	56,770
9,793	-	-	-	9,793
11,869	-	1,170	1,170	13,039
52,959	2,380	5,726	8,106	61,065
216,108	21,096	51,276	72,372	288,480
69	-	328	328	397
10,847	-	28,737	28,737	39,584
3,146	-	-	-	3,146
-	35,603	-	35,603	35,603
5,158	-	-	-	5,158
1,124	11	12	23	1,147

(continued)

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

Classification	Group Home Programs	Single Parent Programs	Foster Care & Adoption Services	Child & Family Programs	Advanced & Student Education
Office supplies	9,734	1,867	20,177	5,987	879
Outreach	-	8,626	11,105	118,410	-
Personnel - salaries	1,359,560	485,954	2,660,289	1,319,012	256,441
Personnel - benef & taxes	478,261	157,567	779,189	368,099	62,066
Photography	211	10	68	12	-
Post adoption services	-	-	790	-	-
Postal & delivery fees	1,644	242	3,577	1,359	168
Printing services	665	458	3,763	1,580	277
Program supplies	4,023	824	4,827	15,077	530
Public relations	1,282	802	6,406	2,740	195
Professional services	17,627	3,168	91,718	7,684	1,376
Recreation	37,962	10,610	-	-	-
Recruiting	6,021	2,215	10,276	4,203	1,652
Rent	90,656	21,586	264,870	43,719	3,515
Room & board - college	-	-	-	-	2,578
Repairs & maintenance	243,166	37,672	34,576	4,583	2,030
Safety program	3,691	2,185	26,125	768	125
School activities	5,520	-	-	-	-
School supplies	2,342	1,955	441	3,057	807
Senior retreat	-	-	-	-	974
Special events	3,823	1,165	10,972	925	4
Staff training	5,001	2,567	29,241	8,088	2,731
Taxes	-	-	-	-	-
Telephone	23,016	15,436	52,586	37,355	3,591
Therapy/psychiatric care	6,361	-	-	6,180	-
Transp - maintenance	25,245	3,974	10,600	5,241	1,072
Transp - gasoline	49,202	8,480	15,400	9,737	1,704
Travel - children/clients	363	646	297	-	344
Travel	9,006	9,369	181,386	98,678	5,884
Tuition and fees	-	111	-	-	(2,103)
Utilities	135,131	73,300	34,284	2,744	4,141
Total	\$ 3,011,837	\$ 1,074,535	\$ 6,658,025	\$ 2,145,894	\$ 407,888

Total Program Services	Fundraising	Management and General	Total Support Services	Total
38,644	6,627	5,087	11,714	50,358
138,141	-	-	-	138,141
6,081,256	725,258	926,833	1,652,091	7,733,347
1,845,182	197,913	254,127	452,040	2,297,222
301	-	-	-	301
790	-	-	-	790
6,990	56,936	3,099	60,035	67,025
6,743	80,941	584	81,525	88,268
25,281	-	-	-	25,281
11,425	19,184	-	19,184	30,609
121,573	11,269	39,126	50,395	171,968
48,572	-	-	-	48,572
24,367	-	-	-	24,367
424,346	9,514	8,973	18,487	442,833
2,578	-	-	-	2,578
322,027	13,530	20,774	34,304	356,331
32,894	804	331	1,135	34,029
5,520	-	-	-	5,520
8,602	-	-	-	8,602
974	-	-	-	974
16,889	46,600	15,399	61,999	78,888
47,628	1,230	85	1,315	48,943
-	-	25,365	25,365	25,365
131,984	12,025	13,738	25,763	157,747
12,541	-	-	-	12,541
46,132	3,800	1,509	5,309	51,441
84,523	3,298	2,355	5,653	90,176
1,650	-	-	-	1,650
304,323	41,782	28,883	70,665	374,988
(1,992)	-	-	-	(1,992)
249,600	9,278	15,153	24,431	274,031
<u>\$ 13,298,179</u>	<u>\$ 1,400,773</u>	<u>\$ 1,625,396</u>	<u>\$ 3,026,169</u>	<u>\$ 16,324,348</u>

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