PRESBYTERIAN CHILDREN'S
HOMES AND SERVICES
(a non-profit organization)
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2019 and 2018

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

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PATTILLO, BROWN & HILL, L.L.P.
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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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 19, 2020

FINANCIAL STATEMENTS

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 937,962	$ 5,426,038	$ 6,364,000
Short-term investments	27,019	-	27,019
Accounts receivable, net of allowance	709,423	-	709,423
Related party receivable	322,908	-	322,908
Interest receivable	292,782	-	292,782
Contributions receivable, net of allowance and discount	154,745	4,505,040	4,659,785
Estates receivable	484,793	41,019	525,812
Prepaid assets	685,171	-	685,171
Notes receivable, net of allowance	5,894	4,823	10,717
Total current assets	3,620,697	9,976,920	13,597,617
Long-term investments	65,440,822	76,096,315	141,537,137
Property and equipment, net of accumulated depreciation	12,662,861	-	12,662,861
Total assets	$ 81,724,380	$ 86,073,235	$ 167,797,615
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 524,689	$ -	$ 524,689
Accrued payroll and compensated absences	1,110,898	-	1,110,898
Other accrued expenses	3,277	-	3,277
Current portion of long-term debt	103,271	-	103,271
Current portion of annuities payable	-	-	-
Other liabilities	31,225	-	31,225
Total current liabilities	1,773,360	-	1,773,360
Non-current portion of long-term debt	1,353,336	-	1,353,336
Non-current portion of annuities payable	-	-	-
Total liabilities	3,126,696	-	3,126,696
Net assets:			
Without donor restrictions	78,597,684	-	78,597,684
With donor restrictions	-	86,073,235	86,073,235
Total net assets	78,597,684	86,073,235	164,670,919
Total liabilities and net assets	$ 81,724,380	$ 86,073,235	$ 167,797,615

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 2,475,756	$ 4,587,310	$ 7,063,066
29,635	-	29,635
1,669,198	-	1,669,198
218,284	-	218,284
22,308	-	22,308
117,354	6,477,825	6,595,179
183,500	41,019	224,519
290,552	-	290,552
5,728	4,823	10,551
5,012,315	11,110,977	16,123,292
57,578,071	63,643,155	121,221,226
14,324,890	-	14,324,890
$ 76,915,276	$ 74,754,132	$ 151,669,408
$ 597,282	$ -	$ 597,282
1,004,172	-	1,004,172
2,141	-	2,141
98,851	-	98,851
25,684	-	25,684
22,415	-	22,415
1,750,545	-	1,750,545
1,456,587	-	1,456,587
115,240	-	115,240
3,322,372	-	3,322,372
73,592,904	-	73,592,904
-	74,754,132	74,754,132
73,592,904	74,754,132	148,347,036
$ 76,915,276	$ 74,754,132	$ 151,669,408

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue and support:			
Contributions and bequests	$ 4,573,189	$ 864,271	$ 5,437,460
Fees for service	9,640,734	-	9,640,734
Other income	718,034	-	718,034
Gain (loss) on sale of assets	154,820	-	154,820
Total revenue and support before releases	15,086,777	864,271	15,951,048
Net assets released from restrictions	696,065	(696,065)	-
Total revenue and support	15,782,842	168,206	15,951,048
Expenses:			
Residential services	5,046,853	-	5,046,853
Single parent and transitional living programs	1,386,821	-	1,386,821
Foster care & adoption services	8,143,571	-	8,143,571
Community services	4,954,801	-	4,954,801
Advanced & student education	394,354	-	394,354
Program services	19,926,400	-	19,926,400
Fundraising	2,176,421	-	2,176,421
Management & general	2,919,358	-	2,919,358
Support services	5,095,779	-	5,095,779
Total expenses	25,022,179	-	25,022,179
Change in nets assets from operating activities	(9,239,337)	168,206	(9,071,131)
NONOPERATING ACTIVITIES			
Contributions to endowments	-	196,077	196,077
Investment income, net of investment expenses	2,967,791	131,592	3,099,383
Change in fair value of split interest and annuities	(70,985)	2,697,501	2,626,516
Realized gains on long-term investments	1,604,561	171,336	1,775,897
Unrealized gains (losses) on long-term investments	9,742,750	7,954,391	17,697,141
Change in nets assets from nonoperating activities	14,244,117	11,150,897	25,395,014
CHANGE IN NET ASSETS	5,004,780	11,319,103	16,323,883
NET ASSETS, BEGINNING OF YEAR			
As previously reported	73,592,904	74,754,132	148,347,036
Adjustment to beginning net assets due to merger	-	-	-
NET ASSETS, BEGINNING OF YEAR, RESTATED	73,592,904	74,754,132	148,347,036
NET ASSETS, END OF YEAR	$ 78,597,684	$ 86,073,235	$ 164,670,919

The accompanying notes are an integral part of this statement.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 6,117,101	$ 1,002,575	$ 7,119,676
11,371,512	118,815	11,490,327
851,943	-	851,943
(27,516)	-	(27,516)
18,313,040	1,121,390	19,434,430
813,528	(813,528)	-
19,126,568	307,862	19,434,430
7,023,832	-	7,023,832
1,168,665	-	1,168,665
8,467,554	-	8,467,554
4,159,473	-	4,159,473
345,291	-	345,291
21,164,815	-	21,164,815
1,709,164	-	1,709,164
2,454,151	-	2,454,151
4,163,315	-	4,163,315
25,328,130	-	25,328,130
(6,201,562)	307,862	(5,893,700)
-	122,007	122,007
2,771,662	219,694	2,991,356
(18,717)	(479,136)	(497,853)
8,202,271	333,423	8,535,694
(12,280,752)	(5,036,475)	(17,317,227)
(1,325,536)	(4,840,487)	(6,166,023)
(7,527,098)	(4,532,625)	(12,059,723)
81,385,686	79,021,073	160,406,759
(265,684)	265,684	-
81,120,002	79,286,757	160,406,759
$ 73,592,904	$ 74,754,132	$ 148,347,036

The accompanying notes are an integral part of this statement.

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(with comparative totals for the year ended December 31, 2018)

	2019				
Classification	Residential Services	Single Parent & Transitional Living Programs	Foster Care & Adoption Services	Community Services	Advanced & Student Education
Salaries and wages	$ 2,792,817	$ 604,646	$ 3,949,811	$ 3,218,801	$ 255,403
Employee benefits and taxes	859,720	189,126	1,184,120	833,676	61,886
	3,652,537	793,772	5,133,931	4,052,477	317,289
Bad debt expense	-	-	-	-	-
Client care services	359,838	79,892	1,673,833	169,866	32,605
Contracted services	26,561	5,545	113,468	29,992	2,715
Depreciation	112,703	115,283	85,381	17,988	2,247
Information technology	28,071	20,541	43,750	28,126	4,442
Insurance	144,218	46,902	119,335	97,234	6,328
Interest expense	958	483	11,813	25,326	119
Occupancy	304,698	146,136	367,429	139,864	6,112
Office expenses	65,326	25,895	53,992	57,165	4,482
Other expenses	9,328	5,318	29,332	16,008	429
Public relations and advertising	16,185	3,552	27,306	15,843	956
Recruiting and other employment	15,681	3,883	33,758	9,992	370
Repair and maintenance	95,619	76,235	72,804	78,435	2,340
Training	15,438	3,043	29,884	20,231	1,817
Transportation	156,662	42,585	83,807	31,259	5,796
Travel	43,030	17,756	263,748	164,995	6,307
Total	$ 5,046,853	$ 1,386,821	$ 8,143,571	$ 4,954,801	$ 394,354

2019					2018
Total Program Services	Fundraising	Management & General	Total Support Services	Total Expenses	Total Expenses
$ 10,821,478	$ 1,233,527	$ 1,571,695	$ 2,805,222	$ 13,626,700	$ 13,666,065
3,128,528	297,919	419,178	717,097	3,845,625	3,783,663
13,950,006	1,531,446	1,990,873	3,522,319	17,472,325	17,449,728
-	-	172,441	172,441	172,441	107,519
2,316,034	-	-	-	2,316,034	2,545,247
178,281	17,423	94,872	112,295	290,576	382,770
333,602	51,919	225,725	277,644	611,246	653,695
124,930	52,130	32,736	84,866	209,796	188,571
414,017	36,118	98,491	134,609	548,626	546,540
38,699	3,122	11,662	14,784	53,483	108,553
964,239	36,108	73,292	109,400	1,073,639	1,033,147
206,860	85,467	46,250	131,717	338,577	345,978
60,415	8,071	26,638	34,709	95,124	92,047
63,842	237,954	294	238,248	302,090	263,939
63,684	4,868	13,783	18,651	82,335	95,786
325,433	17,236	29,040	46,276	371,709	467,611
70,413	2,360	1,289	3,649	74,062	67,108
320,109	16,070	14,425	30,495	350,604	371,378
495,836	76,129	87,547	163,676	659,512	608,513
$ 19,926,400	$ 2,176,421	$ 2,919,358	$ 5,095,779	$ 25,022,179	$ 25,328,130

The accompanying notes are an integral part of this statement.

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Classification	Residential Services	Single Parent & Transitional Living Programs	Foster Care & Adoption Services	Community Services	Advanced & Student Education
Salaries and wages	$ 3,868,573	$ 476,805	$ 4,041,011	$ 2,782,312	$ 230,537
Employee benefits and taxes	1,100,257	150,149	1,173,612	705,210	57,289
	4,968,830	626,954	5,214,623	3,487,522	287,826
Bad debt expense	99,537	104	1,199	584	48
Client care services	482,193	44,275	1,875,480	127,275	16,024
Contracted services	54,112	2,258	129,186	9,833	1,744
Depreciation	259,859	115,031	96,052	14,797	2,646
Information technology	31,883	17,905	41,345	20,320	4,941
Insurance	172,073	35,087	127,293	84,778	6,558
Interest expense	38,936	258	27,676	23,470	82
Occupancy	331,550	136,934	367,703	106,200	6,051
Office expenses	95,888	16,445	54,814	46,756	2,815
Other expenses	7,817	2,731	22,260	22,043	727
Public relations and advertising	13,485	1,521	20,173	6,390	348
Recruiting and other employment	23,745	4,415	42,300	13,582	636
Repair and maintenance	189,990	117,580	86,362	26,035	2,791
Training	19,860	1,564	27,700	11,368	1,268
Transportation	182,476	34,629	80,649	26,228	5,417
Travel	51,598	10,974	252,739	132,292	5,369
Total	$ 7,023,832	$ 1,168,665	$ 8,467,554	$ 4,159,473	$ 345,291

Total Program Services	Fundraising	Management & General	Total Support Services	Total Expenses
$ 11,399,238	$ 868,051	$ 1,398,776	$ 2,266,827	$ 13,666,065
3,186,517	223,761	373,385	597,146	3,783,663
14,585,755	1,091,812	1,772,161	2,863,973	17,449,728
101,472	-	6,047	6,047	107,519
2,545,247	-	-	-	2,545,247
197,133	40,612	145,025	185,637	382,770
488,385	42,278	123,032	165,310	653,695
116,394	45,751	26,426	72,177	188,571
425,789	28,824	91,927	120,751	546,540
90,422	2,934	15,197	18,131	108,553
948,438	33,746	50,963	84,709	1,033,147
216,718	91,395	37,865	129,260	345,978
55,578	7,168	29,301	36,469	92,047
41,917	221,890	132	222,022	263,939
84,678	2,888	8,220	11,108	95,786
422,758	11,227	33,626	44,853	467,611
61,760	2,700	2,648	5,348	67,108
329,399	15,483	26,496	41,979	371,378
452,972	70,456	85,085	155,541	608,513
$ 21,164,815	$ 1,709,164	$ 2,454,151	$ 4,163,315	$ 25,328,130

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PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 16,323,883	$ (12,059,723)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Bad debts	172,441	107,519
Depreciation	611,246	653,695
(Gain) loss on sale of assets	(154,820)	27,516
Contributions of investments	-	70,947
Realized gains on long-term investments	(1,775,897)	(8,535,694)
Unrealized (gains) losses on long-term investments	(17,697,141)	17,317,227
Contributions restricted for long-term investments	(4,746,379)	(122,207)
Change in:		
Accounts receivable	787,334	(693,370)
Related party receivable	(104,624)	(174,270)
Interest receivable	(270,474)	(6,310)
Contributions receivable	1,935,394	284,126
Estates receivable	(301,293)	994,857
Prepaid assets	(394,619)	(162,955)
Other assets	-	13,440
Notes receivable	(166)	462
Accounts payable	(72,593)	(22,666)
Accrued payroll and compensated absences	106,726	154,339
Other accrued expenses	1,136	(2,938)
Annuities payable	(140,924)	(7,044)
Other liabilities	8,810	(13,512)
Net cash used by operating activities	(5,711,960)	(2,176,561)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,116,670)	(160,363)
Proceeds from sale of property and equipment	2,322,273	1,210
Purchase of investments	(5,586,887)	(16,505,880)
Proceeds from sale of investments	4,746,630	19,324,086
Net cash provided by investing activities	365,346	2,659,053
FINANCING ACTIVITIES		
Repayment on lines of credit	-	(195,935)
Repayment of long term debt	(98,831)	(1,314,438)
Cash received from contributions, bequests, etc.	4,746,379	122,207
Net cash provided (used) by financing activities	4,647,548	(1,388,166)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(699,066)	(905,674)
CASH AND CASH EQUIVALENTS, Beginning	7,063,066	7,968,740
CASH AND CASH EQUIVALENTS, Ending	$ 6,364,000	$ 7,063,066
SUPPLEMENTAL DISCLOSURE:		
Interest paid	$ 70,552	$ 123,837

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1. ORGANIZATION AND PURPOSE

On January 1, 2018, Presbyterian Children's Homes and Services, a Texas non-profit corporation established in 1903, (PCHAS-TX) and Presbyterian Children's Homes and Services of Missouri, a Missouri non-profit corporation established in 1914 (PCHAS-MO) merged after five years of affiliation. The resulting non-profit corporation, known as Presbyterian Children's Homes and Services (PCHAS), provides Christ-centered care and support to children and families in need in Texas, Louisiana and Missouri.

PCHAS (the Organization) provides residential group foster homes, community foster homes, and adoption services. In addition, single parent family programs work to bring economic and emotional stability to children and their families, while transitional living programs assist young adults towards self-sufficiency by providing educational, economic and emotional support. In all three states, community service, case management and mentoring programs provide a network that brings together churches, schools, and other local resources to meet the varying needs of children and their families. The Organization also provides educational programs to help meet the needs of children in pursuit of college and vocational goals.

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 and as such reflect all significant receivables, payables and other liabilities. The financial statements include statements of financial position, statements of activities, statements of functional expenses, statements of cash flows, and related notes. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for non-profit organizations.

The Organization has adopted 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,* which became effective January 1, 2018.

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 based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

PCHAS maintains its cash in several financial institutions. These accounts at times may exceed federally insured limits. As of December 31, 2019 and 2018, cash balances in financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) coverage by $5,514,975 and $5,831,578, respectively. In addition, the Organization has money market funds, which are not federally insured, but are subject to Securities Investor Protection Coverage (SIPC) as of December 31, 2019.

PCHAS invests cash in excess of daily requirements in an overnight investment account, for the general operating account.

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. Realized and unrealized gains or losses are presented in accordance with any donor restrictions. Investment return is presented net of investment fees. 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) on interests in perpetual trusts are recorded as changes in net assets with donor restrictions.

Investment Pools

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

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

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. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance based on its assessment of the current status of individual accounts.

Contributions and Estates Receivable

Unconditional contributions are recognized when pledged and recorded as assets without donor restrictions or assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 fair market value of the Organization's interest in the estate. 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.

Property and Equipment

PCHAS has adopted a capitalization threshold of $2,000 and useful lives of five years or more. Therefore, purchases of property and equipment meeting these conditions are stated at cost. Depreciation on property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, generally 5 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Donated property and equipment are valued at their estimated fair value at the 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.

Long-lived assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset is not recoverable, an impairment charge is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as deemed necessary.

Designation of Unrestricted Net Assets

It is the policy of the Board of Trustees 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, net investment income and gains on investments 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, net assets are reclassified from net assets with donor restriction to net assets without donor restriction 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 without donor restriction. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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, student loans and pledges, depreciable lives of property and equipment, value of split interest receivables, valuation of annuities payable and fair value of investments.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, and other activities considered to be of a more unusual or nonrecurring nature.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expense for the years ended December 31, 2019 and 2018. Accordingly, expenses directly related to a function are directly allocated to that function. Expenses that are attributable to or support more than one function are allocated on a reasonal basis such as total expense, square footage or number of budgeted positions, etc. For example, depreciation and utilities for shared facilities are allocated based on square footage, while insurance expense, depending on type, is allocated by budgeted salaries, net book value of assets and number of vehicles. Expenses for shared supplies, postage, and office equipment are allocated based on the number of positions budgeted by department.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

PCHAS has adopted FASB Accounting Standards 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 of the IRC and has been classified as an organization other than a private foundation under Section 509(a)3.

Compensated Absences

Full-time employees in Texas and Louisiana earn annual compensated vacation time of 2 to 4 weeks based upon their position and length of service. The maximum accrual allowed is 1½ 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.

Full-time employees in Missouri accrue 18 to 34 days per year of Paid Time Off (PTO) based upon their position and length of service. The maximum balance allowed is 42 days. Upon termination, employees are paid up to 100% of their unused PTO balance depending on their length of service.

The amount expected to be paid to employees for vacation leave, sick leave or PTO not yet taken as of December 31st of each year is recorded as a liability on the statements of financial position.

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, in total.

On January 1, 2018, upon the merger of PCHAS-TX & PCHAS-MO, certain interfund borrowings were repaid including imputed interest on those borrowings in the amount of $265,684. As a result, the 2018 beginning net assets balances were restated by donor restriction as shown below.

		With Donor Restriction			
	Net Assets Without Donor Restriction	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Net Assets With Donor Restriction	Total Net Assets
Beginning net assets (as previously reported)	$ 81,385,686	$ 8,900,706	$ 70,120,367	$ 79,021,073	$ 160,406,759
Adjustment	(265,684)	35,992	229,692	265,684	-
Beginning net assets (restated)	$ 81,120,002	$ 8,936,698	$ 70,350,059	$ 79,286,757	$ 160,406,759

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 GAAP and the International Accounting Standards Board (IASB). This update affects any organization recognizing revenue through various contracts with customers. The standard became effective for PCHAS on January 1, 2019.

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 control 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.

The adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* did not have an impact on the financial position, operations or net assets of PCHAS for the year ended December 31, 2019. The adoption did not result in a restatement of previously reported net assets for the year ended December 31, 2018.

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 December 15, 2021.

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.

3. CASH AND INVESTMENTS

Long-term Investments

A portion of long-term investments is held in pooled funds at Texas Presbyterian Foundation (TPF) and is invested generally 58% in equities and 24% in fixed income investments, cash and cash equivalents and 18% in real estate and real estate and other less liquid strategies. A portion of long-term investments is invested in passive index funds.

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:

3. CASH AND INVESTMENTS (Continued)

Long-term Investments (Continued)

	December 31, 2019		December 31, 2018	
Investment Type	Cost Value	Market Basis	Cost Value	Market Basis
TPF pooled funds	$ 38,812,452	$ 64,336,452	$ 40,756,980	$ 57,604,349
Equity securities	15,369,024	16,526,923	15,340,753	14,061,188
Debt securities	20,000	20,000	20,000	20,000
Beneficial interest in trusts	60,363,930	60,363,930	49,111,028	49,111,028
Alternative strategies	5,127	5,127	6,082	6,082
Real estate	262,146	262,145	398,636	398,636
Mineral interests	15,560	15,560	12,943	12,943
Other miscellaneous investments	7,000	7,000	7,000	7,000
Total investments	$ 114,855,239	$ 141,537,137	$ 105,653,422	$ 121,221,226

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.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Interest receivable	$ 292,782	$ 292,782	$ 22,308	$ 22,308
Contributions receivable	4,659,785	4,659,785	6,595,179	6,595,179
Estates receivable	525,812	525,812	224,519	224,519
Notes receivable	10,717	10,717	10,551	10,551
Long term investments	141,537,137	141,537,137	121,221,226	121,221,226

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, 2019 and 2018 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, 2019:

	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 sec, real estate, alternative strategies	$ 64,336,452	$ 52,514,498	$ 11,821,954	$ -
Equity securities	16,526,923	16,526,923	-	-
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	60,363,930	51,681,633	3,723,844	4,958,453
Alternative strategies	5,127	-	-	5,127
Real estate	262,145	-	262,145	-
Mineral interests	15,560	15,354	-	206
Other miscellaneous investments	7,000	-	-	7,000
	$ 141,537,137	$ 120,758,408	$ 15,807,943	$ 4,970,786

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2019:

Beginning balance 1/1/2019	$ 4,889,952
Asset changes	(261,199)
Income	1,400
Realized loss	125,007
Unrealized gain	215,626
Ending balance 12/31/2019	$ 4,970,786

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, 2018:

	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 sec, real estate, alternative strategies	$ 57,604,349	$ 46,639,148	$ 10,965,201	$ -
Equity securities	14,061,188	14,061,188	-	-
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	49,111,028	41,386,409	2,848,257	4,876,362
Alternative strategies	6,082	-	-	6,082
Real estate	398,636	-	398,636	-
Mineral interests	12,943	12,435	-	508
Other miscellaneous investments	7,000	-	-	7,000
	$ 121,221,226	$ 102,119,180	$ 14,212,094	$ 4,889,952

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2018:

Beginning balance 1/1/2018	$ 5,147,653
Asset changes	(463,131)
Income	2,022
Realized gain	(31,100)
Unrealized gain	234,508
Ending balance 12/31/2018	$ 4,889,952

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019 and 2018, financial assets and liquidity resources available to the Organization for general operating expenses within one year of the balance sheet are as follows:

	2019	2018
Cash and cash equivalents	$ 937,962	$ 2,475,756
Short-term investments	27,019	29,635
Accounts receivable, net of allowance	709,423	1,669,198
Related party receivable	322,908	218,284
Interest receivable	292,782	22,308
Contributions receivable, expected within one year	310,539	293,844
Estates receivable, expected within one year	99,757	178,500
Assets expected from trusteed funds, within one year	1,432,135	1,332,450
Board approved draw from endowment, within one year	4,904,473	4,992,003
Total financial assets available for current use	$ 9,036,998	$ 11,211,978

As discussed in Note 2, Summary of Significant Accounting Policies, it is the policy of the Board of Trustees 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. PCHAS invests cash in excess of daily requirements in an overnight investment account, for the general operating account. In addition, PCHAS has Board designated endowment net assets of $65,150,997 and $57,152,892 in 2019 and 2018, respectively. Although the Organization does not intend to spend from its board designated funds beyond the amount approved annually for general operating needs, amounts from these funds could be made available with Board approval, if necessary.

5. ENDOWMENT FUNDS

The Organization'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.

5. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law

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

Although UPMIFA does not preclude the Organization from spending below the original gift value of donor-restricted endowments, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has adopted a policy not to spend from underwater endowments unless directed otherwise by the donor.

At times the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. As of the date of these statements, no such deficiencies exist in the Organization's endowments.

In accordance with UPMIFA, 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.

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018

5. ENDOWMENT FUNDS (Continued)

Endowment Net Asset Classification by Type of Fund as of December 31, 2019

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Type					
Donor restricted	$ -	$ 4,142,165	$ 74,770,228	$ 78,912,393	$ 78,912,393
Board designated	65,150,997	-	-	-	65,150,997
Total investments	$ 65,150,997	$ 4,142,165	$ 74,770,228	$ 78,912,393	$ 144,063,390

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Assets					
Beginning balance	$ 57,152,892	$ 3,051,134	$ 65,740,832	$ 68,791,966	$ 125,944,858
Investment return					
Investment return	572,300	23,562	8,905	32,467	604,767
Net appreciation (depreciation) realized & unrealized	11,347,914	1,497,995	8,830,499	10,328,494	21,676,408
Total invest return	11,920,214	1,521,557	8,839,404	10,360,961	22,281,175
Contributions	-	-	196,077	196,077	196,077
Appropriation of endowment assets for expenditure	74,513	-	(6,085)	(6,085)	68,428
Transfer to undesignated	(3,996,622)	(430,526)	-	(430,526)	(4,427,148)
Ending balance	$ 65,150,997	$ 4,142,165	$ 74,770,228	$ 78,912,393	$ 144,063,390

5. ENDOWMENT FUNDS (Continued)

Endowment Net Asset Classification by Type of Fund as of December 31, 2018

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Type					
Donor restricted	$ -	$ 3,051,134	$ 65,740,832	$ 68,791,966	$ 68,791,966
Board designated	57,152,892	-	-	-	57,152,892
Total investments	$ 57,152,892	$ 3,051,134	$ 65,740,832	$ 68,791,966	$ 125,944,858

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Assets					
Beginning balance (as reported)	$ 64,145,942	$ 3,827,083	$ 70,120,367	$ 73,947,450	$ 138,093,392
Adjustment	-	-	229,692	229,692	229,692
Beginning balance (restated)	$ 64,145,942	$ 3,827,083	$ 70,350,059	$ 74,177,142	$ 138,323,084
Investment return					
Investment return	639,649	97,227	7,532	104,759	744,408
Net appreciation (depreciation)					
realized & unrealized	(4,061,759)	(473,594)	(4,732,966)	(5,206,560)	(9,268,319)
Total invest return	(3,422,110)	(376,367)	(4,725,434)	(5,101,801)	(8,523,911)
Contributions	-	-	122,007	122,007	122,007
Appropriation of endowment					
assets for expenditure	84,878	-	(5,800)	(5,800)	79,078
Transfer to undesignated	(3,655,818)	(399,582)	-	(399,582)	(4,055,400)
Ending balance	$ 57,152,892	$ 3,051,134	$ 65,740,832	$ 68,791,966	$ 125,944,858

5. ENDOWMENT FUNDS (Continued)

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 percent annually. Actual returns in any given year may vary from this amount.

6. RECEIVABLES

Accounts Receivable

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

	2019	2018
Accounts receivable	$ 1,016,462	$ 1,821,192
Allowance for uncollectible accounts	(307,039)	(151,994)
	$ 709,423	$ 1,669,198

Contributions

Contributions receivable consists of the following:

	2019	2018
Donations receivable without donor restrictions	$ 96,409	$ 91,235
Donations receivable with donor restrictions	12,259	-
Pledges without donor restrictions	104,726	79,563
Pledges with donor restrictions	921,881	962,736
Split interest gifts	3,606,366	5,553,788
Total receivables	4,741,641	6,687,322
Allowance for uncollectible pledges	(55,536)	(68,576)
Unamortized discount on pledges	(26,320)	(23,567)
Total	$ 4,659,785	$ 6,595,179

6. RECEIVABLES (Continued)

Contributions (Continued)

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:

IRS Discount Rate

Year	Rate	Year	Rate
2010	1.8%	2015	2.0%
2011	1.6%	2016	1.8%
2012	1.2%	2017	2.6%
2013	2.0%	2018	3.6%
2014	2.0%	2019	2.0%

Total contribution receivables expected to be received within one year total $808,545; between one to five years $2,777,092 and longer than 5 years are $1,156,004.

PCHAS is the beneficiary in several split interest agreements. While PCHAS has been named as the remainder beneficiary, PCHAS is not the trustee nor does PCHAS exercise control over the assets of the trusts, except in a limited number of charitable remainder unitrusts. 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 value as of December 31, 2019 decreased by $1,947,422 over the value as of December 31,2018 largely due to the maturity of several charitable remainder unitrusts.

Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total $525,812 as of December 31, 2019. Amounts expected to be received within one year are $99,757 and between one and five years $426,055.

Notes Receivable

Notes receivable consists of the following:

	2019	2018
Scholarship and student loans	$ 13,750	$ 13,584
Scholarship loan allowance for doubtful accounts	(3,033)	(3,033)
	$ 10,717	$ 10,551

PCHAS extends loans to students on an as needed basis to assist them with various expenses related to their education and daily needs.

7. FIXED ASSETS

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

	Balance 12/31/2018	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2019
Land	$ 2,232,043	$ -	$ (312,919)	$ 1,919,124
Buildings and improvements	21,479,761	602,626	(4,575,920)	17,506,467
Furniture and equipment	1,644,412	60,737	(733,525)	971,624
Vehicles	32,839	-	(18,047)	14,792
Capital work in progress	60,801	453,307	-	514,108
Total fixed assets	25,449,856	1,116,670	(5,640,411)	20,926,115
Less: accumulated depreciation	(11,124,966)	(611,246)	3,472,958	(8,263,254)
Net fixed assets	$ 14,324,890	$ 505,424	$ (2,167,453)	$ 12,662,861

Depreciation expense totaled $611,246 in 2019 and $653,695 in 2018.

8. LINES OF CREDIT

PCHAS holds a $200,000 line of credit with a bank that is secured by property. Interest on this line of credit is payable monthly at prime rate plus 0.50% and is subject to 4.50% floor. The principal and interest are due April 9, 2020. The balance of this line of credit was $0 as of December 31, 2019 and 2018, respectively.

The prime rate at December 31, 2018 and 2019 was 5.5% and 4.75%, respectively. Interest paid on this line of credit for the years ended December 31, 2019 and 2018 was $0 and $7,855, respectively.

9. LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
$2,000,000 term loan with bank; payable in monthly installments of $13,965, including interest, payable at 4.5%; final payment due in January 15, 2021 - collateralized by real property	1,456,607	1,555,438
	1,456,607	1,555,438
Less current portion of long-term debt	103,271	98,851
	$ 1,353,336	$ 1,456,587

Interest paid on long-term debt for the years ended December 31, 2019 and 2018 was $68,747 and $102,836, respectively.

Future maturities of long-term debt are as follows:

Year Ending December 31,	
2020 - current portion	$ 103,271
2021	1,353,336
	$ 1,456,607

10. ANNUITIES PAYABLE

PCHAS receives donations from donors in exchange for annuities that provide income to a named beneficiary (or beneficiaries) until their death. The difference between the amount of the donation and the present value of expected future payments to the beneficiary is recognized as revenue in the year of the donation. During 2019, the Organization transferred additional charitable gift annuities under management to the Texas Presbyterian Foundation. They will perform the responsibilities of payments and tax reporting and carry the liability for the annuity payable. The total expected annual payments are $0 at December 31, 2019, and $25,684 at December 31, 2018.

11. NET ASSET CLASSIFICATIONS

Without Donor Restriction

Net assets without donor restriction represent resources over which the Board of Trustees have discretionary authority.

With Donor Restriction

Net assets with donor restriction include both temporarily restricted and permanently restricted net assets.

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 statements of activities.

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 are categorized by income restriction.

Net assets with donor restrictions consisted of the following as of December 31, 2019.

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Net Assets With Donor Restriction
Permanent improvements	$ 2,465,832	$ 1,802,313	$ 4,268,145
Advanced education	5,276,923	4,538,546	9,815,469
General education	939,757	5,006,189	5,945,946
Christian education	59,549	265,152	324,701
Special services	28,771	37,292	66,063
Time restricted	2,404,292	-	2,404,292
Other	127,883	17,131	145,014
Undesignated	-	63,103,605	63,103,605
	$ 11,303,007	$ 74,770,228	$ 86,073,235

11. NET ASSET CLASSIFICATIONS (Continued)

With Donor Restriction (Continued)

Net assets with donor restrictions consisted of the following as of December 31, 2018.

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Net Assets With Donor Restriction
Permanent improvements	$ 1,810,327	$ 1,549,595	$ 3,359,922
Advanced education	4,522,056	4,197,199	8,719,255
General education	446,682	4,748,588	5,195,270
Christian education	36,885	239,804	276,689
Special services	23,212	10,553	33,765
Time restricted	2,075,124	-	2,075,124
Other	99,013	14,299	113,312
Undesignated	-	54,980,795	54,980,795
	$ 9,013,299	$ 65,740,833	$ 74,754,132

Net assets were released from donor restrictions in 2019 and 2018, by incurring expenses satisfying the following restricted purposes or by expiration of time restrictions:

	Released from Donor Restrictions	
	2019	2018
Permanent improvements	$ 28,589	$ 81,982
Advanced education	130,723	111,245
General education	167,447	133,763
Christian education	5,398	6,299
Special services	1,855	1,869
Time restricted	321,977	232,487
Other	40,076	245,883
	$ 696,065	$ 813,528

12. FEES FOR SERVICE

Program service fees consist of the following for the year ended:

	December 31, 2019	December 31, 2018
State of Texas	$ 3,508,669	$ 3,851,637
State of Missouri	920,710	2,367,900
Missouri Alliance for Children & Families, LLC	2,938,462	2,665,827
US Department of Agriculture	4,000	44,558
St. Louis County Children's Fund	1,713,387	1,631,632
Other fees	555,506	809,958
	$ 9,640,734	$ 11,371,512
Temporarily restricted grants	-	118,815
	$ 9,640,734	$ 11,490,327

13. 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 of PCHAS 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 $885,364 and $857,252 to the plan on behalf of employees during the year ended December 31, 2019 and 2018, respectively. No significant changes were made to the plan in 2019.

14. RELATED PARTY TRANSACTIONS

PCHAS is a limited member of the Missouri Alliance for Children and Families, L.L.C. (the Alliance) in which it has a 14.3% equity interest. The Alliance contracts with most of its members to provide a variety of services, as well as with non-member agencies and organizations across the state. The Alliance currently provides services to the Missouri Children's Division under two contracts. Both contracts are reviewed with the state and revised and renewed periodically. Under the initial contract, the Alliance provides case management services to children in the care and custody of the state. PCHAS contracts with the Alliance to provide certain services to these clients, including both residential and community-based care.

Under the second contract, the Alliance is the provider of record with the state, but acts primarily to provide administrative services to PCHAS and four other member agencies. These five agencies provide foster care case management services to clients, essentially as subcontractors with the Alliance. The contract provides annually for bonuses and/or penalties. PCHAS also provides other services for its clients and those of other private case management contractors across the state, as determined by the organization assigned to the case. These services include both residential and community-based services.

14. RELATED PARTY TRANSACTIONS (Continued)

PCHAS leases office space to the Alliance on a monthly basis. Total rent income received from the related party was $54,144 and $52,394 for the years ended December 31, 2019 and 2018, respectively.

Distributions of capital from the Alliance are included in other revenues. In 2019, distributions of capital in the amount of $150,000 were received, while no distributions were received in 2018.

Other payments received from the Alliance for residential services, case management services and permanency bonuses are included in fees for service as shown in Note 12.

15. 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, the Organization leases fleet vehicles under an agreement that does not require a minimum term. As of December 31, 2019 the minimum lease payments for those operating leases are as follows:

Year Ending December 31,		
2020	$	262,574
2021		86,764
2022		1,800
2023		1,800
Thereafter		34,200
	$	387,138

Rent expense for these leases totaled $492,125 in 2019 and $468,684 in 2018.

16. SUBSEQUENT EVENTS

Management of PCHAS has evaluated subsequent events through July 19, 2020, the issuance date of this report.

In March of 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) to be a global pandemic. At that time, PCHAS implemented preventative measures as recommended by federal, state and local governments and developed strategies to ensure that the Organization continued to serve children and families in a safe manner, while remaining financially strong. Management continues to monitor the impacts of this crisis from both an economic and social standpoint.

In April 2020, PCHAS applied for and was approved for an aggregate Paycheck Protection Program (PPP) loan of $3,483,885 issued by the Small Business Administration (SBA). As a result of recently amended changes to the PPP program, at least 60% of the loan amount must be expended on payroll in the 24 week-period following the loan date and 40% of the loan must be expended for utilities, rent and mortgage interest payments. The Organization intends to use the entire loan amount for qualifying expenses, but there is no guarantee that the loan will be forgiven. Any portion that is not forgiven will be repaid with a 1% interest rate over a two-year period with a loan maturity of April 17, 2022.