PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

(a non-profit organization)

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021 and 2020

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2021 AND 2020

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

Opinion

We have audited the financial statements of Presbyterian Children's Homes and Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Presbyterian Children's Homes and Services as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Presbyterian Children's Homes and Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Presbyterian Children's Homes and Services' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Presbyterian Children's Homes and Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Presbyterian Children's Homes and Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit

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

Waco, Texas

July 6, 2022

FINANCIAL STATEMENTS

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,491,510	$ 4,866,351	$ 6,357,861
Short-term investments	35,912	-	35,912
Accounts receivable, net of allowance	617,026	-	617,026
Related party receivable	495,992	-	495,992
Interest receivable	75,537	-	75,537
Contributions receivable, net of allowance and discount	251,466	3,975,234	4,226,700
Estates receivable	963,434	41,019	1,004,453
Prepaid assets	925,126	-	925,126
Total current assets	4,856,003	8,882,604	13,738,607
Long-term investments	73,269,579	89,059,595	162,329,174
Property and equipment, net of accumulated depreciation	16,350,083	-	16,350,083
Total assets	$ 94,475,665	$ 97,942,199	$ 192,417,864
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 421,240	$ -	$ 421,240
Accrued payroll and compensated absences	1,410,520	-	1,410,520
Loans payable	-	-	-
Other accrued expenses	1,901	-	1,901
Current portion of long-term debt	120,734	-	120,734
Other liabilities	62,110	-	62,110
Total current liabilities	2,016,505	-	2,016,505
Non-current portion of long-term debt	1,118,742	-	1,118,742
Total liabilities	3,135,247	-	3,135,247
Net assets:			
Without donor restrictions	91,340,418	-	91,340,418
With donor restrictions	-	97,942,199	97,942,199
Total net assets	91,340,418	97,942,199	189,282,617
Total liabilities and net assets	$ 94,475,665	$ 97,942,199	$ 192,417,864

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
	$ 2,802,381	$ 4,238,007	$ 7,040,388
	27,315	7,500	34,815
	796,895	-	796,895
	233,432	-	233,432
	43,176	-	43,176
	230,953	4,259,974	4,490,927
	143,747	41,019	184,766
	161,512	-	161,512
	4,439,411	8,546,500	12,985,911
	69,426,146	82,577,705	152,003,851
	15,850,992	-	15,850,992
	$ 89,716,549	$ 91,124,205	$ 180,840,754
	$ 693,600	$ -	$ 693,600
	1,353,502	-	1,353,502
	3,483,800	-	3,483,800
	2,708	-	2,708
	1,353,897	-	1,353,897
	66,838	-	66,838
	6,954,345	-	6,954,345
	-	-	-
	6,954,345	-	6,954,345
	82,762,204	-	82,762,204
	-	91,124,205	91,124,205
	82,762,204	91,124,205	173,886,409
	$ 89,716,549	$ 91,124,205	$ 180,840,754

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, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue and support:			
Contributions and bequests	$ 6,095,922	$ 852,744	$ 6,948,666
Fees for service	9,690,481	-	9,690,481
Other income	623,806	-	623,806
Gain on extinguishment of debt	3,483,800	-	3,483,800
Gain (loss) on sale of assets	10,260	-	10,260
Total revenue and support before releases	19,904,269	852,744	20,757,013
Net assets released from restrictions	1,219,771	(1,219,771)	-
Total revenue and support	21,124,040	(367,027)	20,757,013
Expenses:			
Residential services	2,026,850	-	2,026,850
Single parent and transitional living programs	1,782,835	-	1,782,835
Foster care & adoption services	9,868,727	-	9,868,727
Community services	6,284,594	-	6,284,594
Advanced & student education	363,216	-	363,216
Program services	20,326,222	-	20,326,222
Fundraising	2,243,545	-	2,243,545
Management & general	2,656,573	-	2,656,573
Support services	4,900,118	-	4,900,118
Total expenses	25,226,340	-	25,226,340
Change in nets assets from operating activities	(4,102,300)	(367,027)	(4,469,327)
NONOPERATING ACTIVITIES			
Contributions to endowments	-	442,401	442,401
Investment income, net of investment expenses	3,182,550	225,246	3,407,796
Change in fair value of split interest and annuities	-	135,003	135,003
Realized gains on long-term investments	4,573,499	660,434	5,233,933
Unrealized gains (losses) on long-term investments	4,924,465	5,721,937	10,646,402
Change in nets assets from nonoperating activities	12,680,514	7,185,021	19,865,535
CHANGE IN NET ASSETS	8,578,214	6,817,994	15,396,208
NET ASSETS, BEGINNING OF YEAR	82,762,204	91,124,205	173,886,409
NET ASSETS, END OF YEAR	$ 91,340,418	$ 97,942,199	$ 189,282,617

2020		
Without Donor Restrictions	With Donor Restrictions	Total
$ 4,621,631	$ 1,087,735	$ 5,709,366
8,678,137	-	8,678,137
619,350	-	619,350
-	-	-
(858)	-	(858)
13,918,260	1,087,735	15,005,995
3,108,996	(3,108,996)	-
17,027,256	(2,021,261)	15,005,995
2,285,377	-	2,285,377
1,565,310	-	1,565,310
9,026,265	-	9,026,265
5,817,341	-	5,817,341
339,408	-	339,408
19,033,701	-	19,033,701
2,211,493	-	2,211,493
2,622,560	-	2,622,560
4,834,053	-	4,834,053
23,867,754	-	23,867,754
(6,840,498)	(2,021,261)	(8,861,759)
-	195,345	195,345
3,309,968	190,795	3,500,763
-	184,736	184,736
2,054,834	250,952	2,305,786
5,640,216	6,250,403	11,890,619
11,005,018	7,072,231	18,077,249
4,164,520	5,050,970	9,215,490
78,597,684	86,073,235	164,670,919
$ 82,762,204	$ 91,124,205	$ 173,886,409

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

(with comparative totals for the year ended December 31, 2020)

	2021				
Classification	Residential Services	Single Parent & Transitional Living Programs	Foster Care & Adoption Services	Community Services	Advanced & Student Education
Salaries and wages	$ 1,333,407	$ 800,038	$ 4,780,076	$ 4,105,487	$ 222,918
Employee benefits and taxes	322,383	219,615	1,488,688	1,200,106	39,514
	1,655,790	1,019,653	6,268,764	5,305,593	262,432
Bad debt expense	-	-	-	-	-
Client care services	64,794	91,276	2,080,922	205,077	65,672
Contracted services	11,333	9,274	70,141	36,883	1,905
Depreciation	19,777	132,236	195,750	41,289	2,106
Information technology	12,873	31,565	52,703	36,830	1,291
Insurance	50,694	68,656	197,253	159,647	10,648
Interest expense	408	364	10,901	23,865	77
Occupancy	100,381	209,763	526,553	188,373	5,471
Office expenses	21,067	42,340	52,082	50,394	3,434
Other expenses	2,581	1,733	8,142	3,062	110
Public relations and advertising	1,726	2,148	12,324	42,592	246
Recruiting and other employment	9,859	6,041	63,824	20,247	984
Repair and maintenance	29,440	122,301	100,555	62,466	2,271
Training	6,346	2,966	35,287	18,948	1,033
Transportation	33,213	39,601	93,408	43,796	4,604
Travel	6,568	2,918	100,118	45,532	932
Total	$ 2,026,850	$ 1,782,835	$ 9,868,727	$ 6,284,594	$ 363,216

The accompanying notes are an integral part of this statement.

2021					2020
Total Program Services	Fundraising	Management & General	Total Support Services	Total Expenses	Total Expenses
$ 11,241,926	$ 1,335,290	$ 1,563,444	$ 2,898,734	$ 14,140,660	$ 13,592,767
3,270,306	312,138	442,692	754,830	4,025,136	3,512,164
14,512,232	1,647,428	2,006,136	3,653,564	18,165,796	17,104,931
-	-	114,220	114,220	114,220	192,046
2,507,741	-	-	-	2,507,741	2,332,587
129,536	18,780	103,335	122,115	251,651	248,293
391,158	49,465	85,490	134,955	526,113	535,375
135,262	62,005	27,830	89,835	225,097	185,348
486,898	51,892	134,060	185,952	672,850	602,701
35,615	3,152	8,399	11,551	47,166	65,609
1,030,541	31,428	55,444	86,872	1,117,413	971,703
169,317	84,410	37,275	121,685	291,002	268,383
15,628	3,862	6,550	10,412	26,040	39,158
59,036	228,021	1,021	229,042	288,078	294,462
100,955	4,691	12,851	17,542	118,497	141,445
317,033	15,892	33,077	48,969	366,002	356,548
64,580	3,735	5,439	9,174	73,754	60,486
214,622	16,377	14,949	31,326	245,948	257,059
156,068	22,407	10,497	32,904	188,972	211,620
$ 20,326,222	$ 2,243,545	$ 2,656,573	$ 4,900,118	$ 25,226,340	$ 23,867,754

PRESBYTERIAN CHILDREN'S HOMES AND SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Classification	Residential Services	Single Parent & Transitional Living Programs	Foster Care & Adoption Services	Community Services	Advanced & Student Education
Salaries and wages	$ 1,374,382	$ 711,119	$ 4,522,663	$ 3,900,143	$ 209,512
Employee benefits and taxes	342,521	192,438	1,315,566	963,845	40,723
	1,716,903	903,557	5,838,229	4,863,988	250,235
Bad debt expense	-	-	-	-	-
Client care services	111,287	84,046	1,866,701	214,127	56,426
Contracted services	15,095	8,339	69,008	30,345	1,562
Depreciation	54,817	136,886	164,530	40,121	2,131
Information technology	16,053	25,936	41,624	27,377	970
Insurance	60,701	54,595	168,088	132,138	9,246
Interest expense	882	462	14,784	32,866	106
Occupancy	118,581	158,651	423,412	184,221	4,829
Office expenses	27,287	32,435	39,970	43,766	3,272
Other expenses	3,880	1,516	8,544	4,025	104
Public relations and advertising	2,408	1,214	16,355	35,598	269
Recruiting and other employment	16,446	11,694	70,121	29,431	1,556
Repair and maintenance	49,426	108,171	89,803	62,597	2,541
Training	7,129	2,220	24,161	22,596	864
Transportation	50,241	31,361	101,205	41,702	4,471
Travel	34,241	4,227	89,730	52,443	826
Total	$ 2,285,377	$ 1,565,310	$ 9,026,265	$ 5,817,341	$ 339,408

Total Program Services	Fundraising	Management & General	Total Support Services	Total Expenses
$ 10,717,819	$ 1,344,627	$ 1,530,321	$ 2,874,948	$ 13,592,767
2,855,093	285,110	371,961	657,071	3,512,164
13,572,912	1,629,737	1,902,282	3,532,019	17,104,931
-	-	192,046	192,046	192,046
2,332,587	-	-	-	2,332,587
124,349	21,093	102,851	123,944	248,293
398,485	50,092	86,798	136,890	535,375
111,960	45,715	27,673	73,388	185,348
424,768	47,121	130,812	177,933	602,701
49,100	4,302	12,207	16,509	65,609
889,694	29,986	52,023	82,009	971,703
146,730	86,358	35,295	121,653	268,383
18,069	2,572	18,517	21,089	39,158
55,844	237,884	734	238,618	294,462
129,248	5,907	6,290	12,197	141,445
312,538	13,764	30,246	44,010	356,548
56,970	1,974	1,542	3,516	60,486
228,980	14,808	13,271	28,079	257,059
181,467	20,180	9,973	30,153	211,620
$ 19,033,701	$ 2,211,493	$ 2,622,560	$ 4,834,053	$ 23,867,754

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PRESBYTERIAN CHILDREN'S HOMES AND SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021AND 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	$ 15,396,208	$ 9,215,490
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Bad debts	114,220	192,046
Depreciation	526,113	535,375
(Gain) loss on sale of assets	(10,260)	858
Contributions of investments	5,927	(15,811)
Realized gains on long-term investments	(5,233,933)	(2,305,786)
Unrealized (gains) losses on long-term investments	(10,646,402)	(11,890,619)
Contributions restricted for long-term investments	(446,401)	(231,868)
Change in:		
Accounts receivable	65,649	(279,518)
Related party receivable	(262,560)	89,476
Interest receivable	(32,361)	249,606
Contributions receivable	264,227	168,858
Estates receivable	(819,687)	341,046
Prepaid assets	(763,614)	523,659
Notes receivable	-	10,717
Accounts payable	(272,360)	168,911
Accrued payroll and compensated absences	57,018	242,604
Other accrued expenses	(807)	(569)
Other liabilities	(4,728)	35,613
Net cash used by operating activities	(2,063,751)	(2,949,912)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,028,745)	(3,731,896)
Proceeds from sale of property and equipment	13,800	7,533
Purchase of investments	(1,776,813)	(1,842,383)
Proceeds from sale of investments	7,324,802	5,580,087
Net cash provided by investing activities	4,533,044	13,341
FINANCING ACTIVITIES		
Borrowings on loans payable	-	3,483,800
Repayment on Loans Payable	(3,483,800)	-
Repayment of long term debt	(114,421)	(102,709)
Cash received from contributions, bequests, etc.	446,401	231,868
Net cash (used) provided by financing activities	(3,151,820)	3,612,959
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(682,527)	676,388
CASH AND CASH EQUIVALENTS, Beginning	7,040,388	6,364,000
CASH AND CASH EQUIVALENTS, Ending	$ 6,357,861	$ 7,040,388
SUPPLEMENTAL DISCLOSURE:		
Interest paid	$ 47,974	$ 66,178

The accompanying notes are an integral part of this statement.

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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.

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. Those designations do not carry the same limitations as net assets with donor restrictions and are included in this category.

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, 2021 and 2020, cash balances in financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) coverage by $5,330,443 and $5,278,653, 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, 2021 and 2020.

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, 2021 and 2020. 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 reasonable 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 36 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 100% of their unused PTO balance.

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.

New Accounting Pronouncements

In February 2016, the 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. Due to the recent business interruptions caused by the worldwide COVID-19 pandemic, the FASB issued ASU 2020-05 extending the effective date of this standard to fiscal years beginning after December 15, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

The required recognition, measurement and presentation of cash flows by a lessee depends 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 63% in equities and 21% in fixed income investments, cash and cash equivalents and 16% in 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:

	December 31, 2021		December 31, 2020	
Investment Type	Cost Value	Market Basis	Cost Value	Market Basis
TPF pooled funds	$ 36,918,935	$ 70,428,172	$ 37,460,263	$ 68,872,100
Equity securities	15,601,565	21,045,599	15,423,559	17,457,340
Debt securities	20,000	20,000	20,000	20,000
Beneficial interest in trusts	70,763,407	70,763,407	65,572,876	65,572,876
Alternative strategies	-	-	1,317	1,317
Real estate	48,446	48,446	29,646	49,646
Mineral interests	16,550	16,550	23,572	23,572
Other miscellaneous investments	7,000	7,000	7,000	7,000
Total investments	$ 123,375,903	$ 162,329,174	$ 118,538,233	$ 152,003,851

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.

3. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Interest receivable	$ 75,537	$ 75,537	$ 43,176	$ 43,176
Contributions receivable	4,226,700	4,226,700	4,490,927	4,490,927
Estates receivable	1,004,453	1,004,453	184,766	184,766
Long term investments	162,329,174	162,329,174	152,003,851	152,003,851

FASB Codification Section 820, *Fair Value Measurements and Disclosure,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Codification Section 820 are described below:

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

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

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

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

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

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

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

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

3. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020 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 funds, 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.

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2021:

	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	$ 70,428,172	$ 58,126,015	$ 12,302,157	$ -
Equity securities	21,045,599	21,045,599	-	-
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	70,763,407	60,052,848	4,230,395	6,480,164
Real estate	48,446	-	48,446	-
Mineral interests	16,550	15,990	-	560
Other miscellaneous investments	7,000	-	-	7,000
	$ 162,329,174	$ 139,260,452	$ 16,580,998	$ 6,487,724

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, 2021:

Beginning balance 1/1/2021	$ 5,713,551
Asset changes	(311,793)
Income	231
Realized loss	64,334
Unrealized gain	1,021,401
Ending balance 12/31/2021	$ 6,487,724

The following table sets forth by level, within the fair value hierarchy, PCHAS assets at fair value as of December 31, 2020:

	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	$ 68,872,100	$ 56,948,079	$ 11,924,021	$ -
Equity securities	17,457,340	17,457,340	-	-
Debt securities	20,000	20,000	-	-
Beneficial interest in trusts	65,572,876	55,918,254	3,949,913	5,704,709
Alternative strategies	1,317	-	-	1,317
Real estate	49,646	-	49,646	-
Mineral interests	23,572	23,047	-	525
Other miscellaneous investments	7,000	-	-	7,000
	$ 152,003,851	$ 130,366,720	$ 15,923,580	$ 5,713,551

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ending December 31, 2020:

Beginning balance 1/1/2020	$ 4,970,786
Asset changes	667,288
Income	279
Realized gain	(166,516)
Unrealized gain	241,714
Ending balance 12/31/2020	$ 5,713,551

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021 and 2020, financial assets and liquidity resources available to the Organization for general operating expenses within one year of the balance sheet are as follows:

	2021	2020
Cash and cash equivalents	$ 1,491,510	$ 2,802,381
Short-term investments	35,912	34,815
Accounts receivable, net of allowance	617,026	796,895
Related party receivable	495,992	233,432
Interest receivable	75,537	43,176
Contributions receivable, expected within one year	306,632	445,031
Estates receivable, expected within one year	963,434	143,747
Assets expected from trusteed funds, within one year	1,522,458	1,422,556
Board approved draw from endowment, within one year	5,170,119	4,978,775
Total financial assets available for current use	$ 10,678,620	$ 10,900,808

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 $73,197,591 and $69,344,618 in 2021 and 2020, 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.

5. ENDOWMENT FUNDS (Continued)

Endowment Net Asset Classification by Type of Fund as of December 31, 2021

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Type					
Donor restricted	$ -	$ 5,719,174	$ 86,196,720	$ 91,915,894	$ 91,915,894
Board designated	73,197,591	-	-	-	73,197,591
Total investments	$ 73,197,591	$ 5,719,174	$ 86,196,720	$ 91,915,894	$ 165,113,485

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Assets					
Beginning balance	$ 69,344,618	$ 4,992,611	$ 80,446,961	$ 85,439,572	$ 154,784,190
Investment return					
Investment return	611,367	109,375	-	109,375	720,742
Net appreciation (depreciation) realized & unrealized	9,497,610	1,084,182	5,307,358	6,391,540	15,889,150
Total invest return	10,108,977	1,193,557	5,307,358	6,500,915	16,609,892
Contributions	-	-	442,401	442,401	442,401
Appropriation of endowment assets for expenditure	14,964	-	-	-	14,964
Transfer to undesignated	(6,270,968)	(466,994)	-	(466,994)	(6,737,962)
Ending balance	$ 73,197,591	$ 5,719,174	$ 86,196,720	$ 91,915,894	$ 165,113,485

5. ENDOWMENT FUNDS (Continued)

Endowment Net Asset Classification by Type of Fund as of December 31, 2020

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Type					
Donor restricted	$ -	$ 4,992,611	$ 80,446,961	$ 85,439,572	$ 85,439,572
Board designated	69,344,618	-	-	-	69,344,618
Total investments	$ 69,344,618	$ 4,992,611	$ 80,446,961	$ 85,439,572	$ 154,784,190

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020

		With Donor Restriction			
	Without Donor Restriction	Temporarily Restricted	Permanently Restricted	Total With Donor Restriction	Total
Endowment Assets					
Beginning balance	$ 65,150,997	$ 4,142,165	$ 74,770,228	$ 78,912,393	$ 144,063,390
Investment return					
Investment return	471,868	80,415	-	80,415	552,283
Net appreciation (depreciation)					
realized & unrealized	7,699,029	1,208,882	5,486,159	6,695,041	14,394,070
Total invest return	8,170,897	1,289,297	5,486,159	6,775,456	14,946,353
Contributions	-	-	195,345	195,345	195,345
Appropriation of endowment					
assets for expenditure	79,327	-	(4,823)	(4,823)	74,504
Transfer to undesignated	(4,056,603)	(438,851)	52	(438,799)	(4,495,402)
Ending balance	$ 69,344,618	$ 4,992,611	$ 80,446,961	$ 85,439,572	$ 154,784,190

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.

	2021	2020
Accounts receivable	$ 700,025	$ 1,285,163
Allowance for uncollectible accounts	(82,999)	(488,268)
	$ 617,026	$ 796,895

Contributions

Contributions receivable consists of the following:

	2021	2020
Donations receivable without donor restrictions	$ 137,352	$ 110,942
Donations receivable with donor restrictions	930	7,938
Pledges without donor restrictions	141,000	159,486
Pledges with donor restrictions	418,795	730,216
Split interest gifts	3,566,961	3,549,249
Total receivables	4,265,038	4,557,831
Allowance for uncollectible pledges	(30,708)	(49,284)
Unamortized discount on pledges	(7,630)	(17,620)
Total	$ 4,226,700	$ 4,490,927

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	Year	Rate
2011	1.6%	2015	2.0%	2019	2.0%
2012	1.2%	2016	1.8%	2020	0.6%
2013	2.0%	2017	2.6%	2021	1.6%
2014	2.0%	2018	3.6%		

Total contribution receivables expected to be received within one year total $767,669; between one to five years $2,639,587 and longer than 5 years are $857,782.

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, 2021 increased by $17,712 from the value as of December 31, 2020, due to market conditions.

Estates

PCHAS is the beneficiary in several estates that are pending distribution. Receivables from estates total $1,004,453 as of December 31, 2021 Amounts expected to be received within one year are $963,434 and between one and five years $41,019.

7. PROPERTY AND EQUIPMENT

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

	Balance 12/31/2020	Additions/ Transfers	Deletions/ Transfers	Balance 12/31/2021
Land	$ 1,919,124	$ -	$ -	$ 1,919,124
Buildings and improvements	17,899,727	9,700	(28,499)	17,880,928
Furniture and equipment	957,966	6,980	(10,385)	954,561
Vehicles	14,792	-	-	14,792
Capital work in progress	3,815,503	1,012,064	-	4,827,567
Total fixed assets	24,607,112	1,028,744	(38,884)	25,596,972
Less: accumulated depreciation	(8,756,120)	(526,113)	35,344	(9,246,889)
Net property and equipment	$ 15,850,992	$ 502,631	$ (3,540)	$ 16,350,083

Depreciation expense totaled $526,113 in 2021 and $535,375 in 2020.

8. LINES OF CREDIT

PCHAS held a $200,000 line of credit with a bank that was secured by property. Interest on this line of credit was payable monthly at prime rate plus 0.50% and subject to 4.50%. The principal and interest were due April 9, 2022. The balance of this line of credit was $0 as of December 31, 2021 and 2020. This line of credit was not renewed at the time it became due.

The prime rate at December 31, 2021 and 2020 was 3.25%. Interest paid on this line of credit was $0 for the years ended December 31, 2021 and 2020, respectively.

9. LOANS PAYABLE

In April 2020, PCHAS applied for and was approved for an aggregate Paycheck Protection Program (PPP) loan of $3,483,800 issued by the Small Business Administration (SBA). The Organization used the entire loan amount for qualifying expenses and received forgiveness of the loan in the amount of $3,483,800 in August 2021. The $3,483,800 has been recognized as a gain on the extinguishment of debt in the statement of activities.

10. LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
$2,000,000 term loan with bank; payable in monthly installments of $13,386, including interest, payable at 3.45%, with final payment due in January 15, 2031 - collateralized by real property	1,239,476	1,353,897
	1,239,476	1,353,897
Less current portion of long-term debt	120,734	1,353,897
	$ 1,118,742	$ -

This term loan was renewed for 10 years in January of 2021. Interest paid on long-term debt for the years ended December 31, 2021 and 2020 was $46,800 and $64,868, respectively.

Future maturities of long-term debt are as follows:

Year Ending December 31,	
2022 - current portion	$ 120,734
2023	123,481
2024	126,835
2025	131,095
2026	135,480
2027	140,013
Thereafter	461,838
	$ 1,239,476

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 restricted for a specific use or have a time restriction. When the restrictions are met, the temporarily restricted net assets are released from restrictions to net assets without donor restrictions 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, 2021.

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Net Assets With Donor Restriction
Permanent improvements	$ 924,652	$ 2,336,626	$ 3,261,278
Advanced education	6,446,443	4,843,971	11,290,414
General education	1,595,664	5,562,155	7,157,819
Christian education	98,007	307,341	405,348
Special services	42,179	57,292	99,471
Time restricted	1,894,519	-	1,894,519
Other	744,015	21,883	765,898
Undesignated	-	73,067,452	73,067,452
	$ 11,745,479	$ 86,196,720	$ 97,942,199

Net assets with donor restrictions consisted of the following as of December 31, 2020.

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Net Assets With Donor Restriction
Permanent improvements	$ 655,644	$ 2,004,383	$ 2,660,027
Advanced education	5,915,152	4,672,498	10,587,650
General education	1,292,799	5,275,543	6,568,342
Christian education	80,320	287,356	367,676
Special services	34,151	47,292	81,443
Time restricted	2,017,236	-	2,017,236
Other	681,942	19,600	701,542
Undesignated	-	68,140,289	68,140,289
	$ 10,677,244	$ 80,446,961	$ 91,124,205

11. NET ASSET CLASSIFICATIONS (Continued)

With Donor Restriction (Continued)

Net assets were released from donor restrictions in 2021 and 2020, by incurring expenses satisfying the following restricted purposes or by expiration of time restrictions:

	Released from Donor Restrictions	
	2021	2020
Permanent improvements	$ 256,650	$ 2,029,110
Advanced education	213,931	163,179
General education	195,448	181,796
Christian education	3,071	1,960
Special services	2,190	1,919
Time restricted	480,334	638,599
Other	68,147	92,433
	$ 1,219,771	$ 3,108,996

12. FEES FOR SERVICE

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

	December 31,	
	2021	2020
State of Texas	$ 3,758,729	$ 3,733,857
State of Missouri	410,831	425,941
Missouri Alliance for Children & Families, LLC	4,257,872	2,960,373
St. Louis County Children's Fund	1,020,738	1,237,236
Other fees	242,311	320,730
	$ 9,690,481	$ 8,678,137

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 $978,593 and $923,924 to the plan on behalf of employees during the year ended December 31, 2021 and 2020, respectively. No significant changes were made to the plan in 2021 and 2020, other than the implementation of the changes set forth by the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act allowed qualifying individuals temporary financial relief through distributions and loans from their retirement savings accounts. Relief efforts included the following for transactions occurring in calendar year 2020:

- Waiving of the required minimum distributions for certain defined contribution plans to avoid retirement-age individuals being required to withdraw from accounts that were subjected to recent severe fluctuations in the stock market.

- Removing the 10% early withdrawal penalty for any coronavirus-related distribution up to $100,000 per participant.

- and increasing the limit on maximum loan amounts that can be taken from a participants retirement account.

All of the relief efforts listed above expired as of December 31, 2020 and were not renewed for the 2021 plan year. These changes did not materially affect the 403(b) plan.

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.

PCHAS leases office space to the Alliance on a monthly basis. Rental income received from the Alliance is included in other revenues in the amount of $55,944 and $56,394 for the years ended December 31, 2021 and 2020, respectively.

14. RELATED PARTY TRANSACTIONS (Continued)

Distributions of capital from the Alliance are also included in other revenues. No distributions of capital were received in 2021 or 2020.

Other payments received from the Alliance for residential services, case management services and permanency bonuses are included within 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, 2021 the minimum lease payments for those operating leases are as follows:

Year Ending December 31,		
2022	$	214,552
2023		99,196
2024		73,800
2025		54,300
Thereafter		73,350
	$	515,198

Rent expense for these leases totaled $561,096 in 2021 and $503,024 in 2020.

16. SUBSEQUENT EVENTS

Management of PCHAS has evaluated subsequent events through July 6, 2022, the issuance date of this report. Consequently, there are no particular events that have any material effect related to the financial position of the organization for the year ending December 31, 2021 and do not require additional disclosure.