

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT -  
CHURCH OF THE BRETHREN**

**FINANCIAL REPORT**

**JUNE 30, 2019**

# CONTENTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 - 2
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FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Statements of Functional Expenses	8 - 9
Notes to Financial Statements	10 - 30

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Children's Aid Society  
Southern Pennsylvania District - Church of the Brethren  
New Oxford, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Children's Aid Society, Southern Pennsylvania District - Church of the Brethren (Organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 from 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 from 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 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 Children's Aid Society, Southern Pennsylvania District - Church of the Brethren as of June 30, 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.

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania  
November 11, 2019

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Current Assets		
Cash and cash equivalents	\$ 718,971	\$ 478,482
Investments	402,220	364,717
Current portion of contributions receivable	40,667	47,495
Accounts receivable	64,512	20,890
Prepaid expenses	3,788	3,583
Inventory	2,942	2,942
<b>Total current assets</b>	<b>1,233,100</b>	<b>918,109</b>
Property and equipment	498,648	508,188
Construction-in-progress	30,000	-
Beneficial interest in:		
Perpetual trusts	642,984	648,796
Charitable-remainder trusts	27,476	29,165
Endowment funds	624,342	615,977
Other investments	18,679	17,962
<b>Total assets</b>	<b>\$ 3,075,229</b>	<b>\$ 2,738,197</b>

See Notes to Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>		
Current portion of obligations under trust and annuity agreements	\$ 575	\$ 559
Accounts payable	31,139	20,606
Accrued expenses	96,915	142,819
Deferred revenue	2,345	2,540
Amount held for others	10,070	-
<b>Total current liabilities</b>	<b>141,044</b>	<b>166,524</b>
Obligations Under Trust and Annuity Agreements - net of current portion	<b>7,484</b>	<b>8,059</b>
<b>Total liabilities</b>	<b>148,528</b>	<b>174,583</b>
<b>Net Assets</b>		
Without donor restriction		
Undesignated	871,114	665,601
Board-designated	328,071	331,790
Total without donor restriction	<b>1,199,185</b>	997,391
With donor restriction	<b>1,727,516</b>	1,566,223
<b>Total net assets</b>	<b>2,926,701</b>	<b>2,563,614</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,075,229</b>	<b>\$ 2,738,197</b>

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 348,330	\$ 438,903	\$ 787,233
Sustainability campaign contributions	-	500	500
Grants	83,900	-	83,900
Program service revenue	822,852	-	822,852
Fundraising - net of direct costs	101,740	-	101,740
Net investment income	89,252	717	89,969
Changes in values of split-interest agreements	-	(1,930)	(1,930)
Net unrealized losses on perpetual trusts	-	(5,812)	(5,812)
Other income	273	-	273
Net assets released from restrictions	271,085	(271,085)	-
<b>Total support and revenue</b>	<b>1,717,432</b>	<b>161,293</b>	<b>1,878,725</b>
<b>Expenses and Losses</b>			
Program services	1,193,098	-	1,193,098
Management and general	218,181	-	218,181
Fundraising	104,359	-	104,359
<b>Total expenses</b>	<b>1,515,638</b>	<b>-</b>	<b>1,515,638</b>
<b>Increase in net assets</b>	<b>201,794</b>	<b>161,293</b>	<b>363,087</b>
<b>Net Assets:</b>			
July 1, 2018	997,391	1,566,223	2,563,614
June 30, 2019	\$ 1,199,185	\$ 1,727,516	\$ 2,926,701

See Notes to Financial Statements.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 273,817	419,095	\$ 692,912
Sustainability Campaign contributions	-	6,037	6,037
Grants	71,347	-	71,347
Program service revenue	846,653	-	846,653
Fundraising - net of direct costs	105,082	-	105,082
Net investment income	85,706	677	86,383
Changes in values of split-interest agreements	-	5,318	5,318
Net unrealized gains on perpetual trusts	-	3,388	3,388
Other income	260	-	260
Net assets released from restrictions	266,540	(266,540)	-
<b>Total support and revenue</b>	<b>1,649,405</b>	<b>167,975</b>	<b>1,817,380</b>
<b>Expenses and Losses</b>			
Program services	1,211,956	-	1,211,956
Management and general	281,902	-	281,902
Fundraising	99,888	-	99,888
<b>Total expenses</b>	<b>1,593,746</b>	<b>-</b>	<b>1,593,746</b>
<b>Increase in net assets</b>	<b>55,659</b>	<b>167,975</b>	<b>223,634</b>
<b>Net Assets:</b>			
July 1, 2017	941,732	1,398,248	2,339,980
June 30, 2018	\$ 997,391	\$ 1,566,223	\$ 2,563,614

See Notes to Financial Statements.



**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 363,087	\$ 223,634
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	36,079	39,347
Donated property	(30,000)	(9,254)
Net realized and unrealized gains on investments	(26,170)	(27,997)
Net unrealized (gains) losses on perpetual trusts	5,812	(3,388)
Changes in values of split-interest agreements	1,689	(5,575)
Changes in values of endowment funds	(24,475)	(29,948)
Changes in values of other investments	(717)	(677)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(43,622)	5,726
Contributions receivable	6,828	59,415
Prepaid expenses	(205)	3,358
Inventory	-	875
(Decrease) increase in:		
Accounts payable	10,533	(4,188)
Accrued expenses	(45,904)	48,915
Amount held for others	10,070	-
Deferred revenue	(195)	(7,425)
<b>Net cash provided by operating activities</b>	<b>262,810</b>	<b>292,818</b>
Cash Flows From Investing Activities		
Purchase of investments	(222,455)	(19,807)
Proceeds from sale of investments	211,122	16,015
Purchases of property and equipment	(26,539)	(12,827)
<b>Net cash used in investing activities</b>	<b>(37,872)</b>	<b>(16,619)</b>
Cash Flows From Financing Activities		
Repayments of long-term debt	-	(187,983)
Repayments of obligations under trust and annuity agreements	(559)	(543)
Additions to endowment funds	(549)	(7,751)
Distributions from endowment funds	16,659	11,454
<b>Net cash provided by (used in) financing activities</b>	<b>15,551</b>	<b>(184,823)</b>
<b>Net increase in cash and cash equivalents</b>	<b>240,489</b>	<b>91,376</b>
Cash and Cash Equivalents:		
Beginning	478,482	387,106
Ending	\$ 718,971	\$ 478,482

See Notes to Financial Statements.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 850,093	\$ 97,958	\$ 77,808	\$ 1,025,859
Payroll taxes	64,405	6,933	6,086	77,424
Employee benefits	80,497	5,912	2,986	89,395
Staff training and development	9,468	10,755	2,327	22,550
Program services	64,076	11,858	3,838	79,772
Utilities	30,005	5,930	-	35,935
Repairs and maintenance	18,707	7,461	-	26,168
Office supplies, postage and printing	6,155	10,448	7,536	24,139
Equipment repairs and maintenance	4,667	165	-	4,832
Telephone	8,130	1,669	-	9,799
Insurance	14,952	7,568	963	23,483
Professional services	8,971	28,482	-	37,453
Advertising and promotions	3,967	3,749	2,815	10,531
Bad debts	-	8,771	-	8,771
Miscellaneous	1,908	1,540	-	3,448
Interest	-	-	-	-
Depreciation	27,097	8,982	-	36,079
<b>Total</b>	<b>\$ 1,193,098</b>	<b>\$ 218,181</b>	<b>\$ 104,359</b>	<b>\$ 1,515,638</b>

See Notes to Financial Statements.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2018**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 873,670	\$ 165,544	\$ 76,190	\$ 1,115,404
Payroll taxes	64,463	11,503	7,892	83,858
Employee benefits	93,528	7,509	1,245	102,282
Staff training and development	8,041	13,313	2,362	23,716
Program services	50,404	2,864	3,000	56,268
Utilities	30,535	5,355	-	35,890
Repairs and maintenance	16,582	5,314	-	21,896
Office supplies, postage and printing	7,675	9,853	8,344	25,872
Equipment repairs and maintenance	2,001	595	-	2,596
Telephone	6,943	2,030	-	8,973
Insurance	14,254	6,184	180	20,618
Professional services	11,030	28,338	-	39,368
Advertising and promotions	1,548	4,803	675	7,026
Bad debts	-	5,103	-	5,103
Miscellaneous	915	1,201	-	2,116
Interest	-	3,413	-	3,413
Depreciation	30,367	8,980	-	39,347
<b>Total</b>	<b>\$ 1,211,956</b>	<b>\$ 281,902</b>	<b>\$ 99,888</b>	<b>\$ 1,593,746</b>

See Notes to Financial Statements.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies**

Nature of Operations: Children's Aid Society, Southern Pennsylvania District - Church of the Brethren (Organization) was established in 1913 and incorporated under the nonprofit laws of the Commonwealth of Pennsylvania in 1923. The Organization operates programs for children and their families in stressful situations, including counseling; parenting-education services; and short-term, crisis-nursery-respite care.

Basis of Presentation: Children's Aid Society, Southern Pennsylvania District - Church of the Brethren's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated for not-for-profit organizations. Those standards require the Organization to report information regarding its financial position and activities according to the following classes of net assets:

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. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, accounts receivable and investments. The Organization maintains its cash deposits with high, credit-quality financial institutions that provide Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000. Balances in excess of FDIC-insured limits at June 30, 2019 and 2018, were \$467,708 and \$229,354, respectively. The Organization's investment portfolio is managed by the Trust Department of a commercial bank. Investments are diversified among issuers.

The Organization's accounts receivable consists of unsecured amounts due from program participants and funding sources, the abilities of which to pay are subject to changes in general economic conditions. The Organization performs on-going, credit evaluations of its program participants and funding sources and generally does not require collateral. The Organization records an allowance, when necessary, for potential, credit losses.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, the Organization considers all short-term, debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments in debt securities, equity securities and mutual funds are measured recurrently at fair value. The fair values of investments are based on quoted prices from national exchanges.

Investment income and/or loss (including interest, dividends and gains and losses on investments) are included in the Statements of Activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law. Dividend income is recorded based upon the ex-dividend date; interest income is recorded as earned on an accrual basis. Changes in fair values are reported as investment gains (losses) in the periods of change. Realized gains and losses on sales of investments are determined on the specific-identification basis.

All investment securities are exposed to various risks such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Accounts Receivable: Accounts receivable consist of amounts due from individuals and third-party payers for counseling services. Payments are expected within 30 days from the dates on which services are provided. Outstanding balances are non-interest bearing.

Accounts receivable for counseling services are recorded net of an allowance for expected losses when necessary. The allowance is estimated from historical performance and projections of trends. At June 30, 2019 and 2018 allowances for doubtful accounts were not necessary.

Balances outstanding over 180 days are considered uncollectible and are charged against the allowance for doubtful accounts.

Promises-to-Give: Unconditional promises-to-give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises-to-give that are expected to be collected in future years are recorded at the present values of their estimated, future, cash flows. The discounts on those amounts are computed using risk-free, interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises-to-give are not included as support until conditions are substantially met.

Property and Equipment: Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Upon retirement or sale, the costs and accumulated depreciation of such assets are removed from the accounts, and any resulting gains or losses are included in the determination of changes in net assets. Expenditures for maintenance and repairs which neither materially add to the value of the property nor appreciably prolong estimated useful lives are charged to expense as incurred.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Split-Interest Agreements: Gifts received under the terms of trust or other arrangements in which the Organization has a beneficial interest but is not the sole beneficiary are accounted for as split-interest agreements. Such agreements include perpetual trusts held by third-parties, charitable-remainder trusts, and charitable-gift annuities. The time periods covered by these agreements are expressed either as specific numbers of years (or in perpetuity), or as the remaining life or lives of an individual or individuals designated by the donor.

Under such arrangements, the assets are invested and administered by the Organization, a trustee, or a fiscal agent, and distributions are made to beneficiaries during the terms of the agreements. At the end of the said terms, the remaining assets covered by the agreements are either distributed to or retained by either the Organization or other beneficiaries.

In the absence of donor-imposed conditions, the Organization recognizes contribution revenue and related assets and liabilities when irrevocable, split-interest agreements, naming the Organization as Trustee or fiscal agent, are executed, or when the Organization is notified of the agreements' existences, as in cases in which unrelated, third-parties (such as banks) act as Trustees.

Contribution revenue recognized under split-interest agreements is classified as an increase in net assets with donor restriction or net assets without donor restriction based upon the donors' instructions in the underlying agreements. During the terms of the agreements, changes in the values of split-interest agreements are recognized in the Statement of Activities as "changes in values of split-interest agreements" and are classified as with donor restriction or without donor restriction based upon the classifications when contributions were initially recognized. Upon terminations of the agreements, asset and liability accounts related to the split-interest agreements are closed, and any remaining amounts are recognized as "changes in values of split-interest agreements" and classified in the appropriate, net asset categories.

Endowment Funds: The Organization is the beneficiary of certain endowment funds, including those established by the Organization on its own behalf and a donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Relevant law for reporting of endowment funds is provided in Pa. C.S. Section 5548, *Investment of Trust Funds*. The Board of the Organization has interpreted the Commonwealth of Pennsylvania state law as requiring the preservation of the fair values of original gifts as of the dates of the gifts to the donor-restricted endowment fund, absent explicit, donor stipulations to the contrary.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Endowment Funds (Continued): The Organization classifies as net assets with donor restriction the original values of gifts donated to the donor-restricted endowment fund. Investment income from the donor-restricted endowment fund is without donor restriction and available to support the operations of the Organization. Net appreciation on the donor-restricted endowment fund is reported as a change in net assets without donor restriction.

The Organization has established community-foundation, endowment funds to provide endowments for the benefit of each of its counseling centers. Under these arrangements, the Organization has transferred assets to a third-party recipient and has specified itself as the beneficiary. This type of transfer is considered reciprocal in nature, and thus, does not represent either a contribution to the third-party recipient or an equity transaction.

Under these arrangements, the third-party recipient has retained variance power over contributions received from other donors. Variance power provides the third-party recipient with the discretion to redirect contributions to the benefit of a beneficiary other than that named by the donor. As a result, the Organization does not recognize such contributions until such time as a distribution is received or is unconditionally promised by the third-party recipient.

Investment income from community foundation endowment funds is recognized as a change in net assets without donor restriction. Transfers to and distributions from the endowment funds are recognized as components of changes in values of endowment funds.

Support and Revenue: Program service revenue is recognized when the services are performed. Services provided under government grants are based upon fees for individual units of service, up to a pre-approved aggregate amount per an annual contract, plus any subsequent funding. Services billed to third-party payers are reported net of contractual allowances based on negotiated rates. Services provided to uninsured clients are billed at standard rates.

Contributions received, and unconditional promises-to-give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donors' restriction expires; that is, when stipulated, time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "net assets released from restrictions". Donor-restricted contributions, the restrictions of which are met in the same reporting period, are reported as support without donor restrictions.

The Organization reports gifts of materials and equipment as support without donor restriction unless explicit, donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit, donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Support and Revenue (Continued): The Organization receives a significant portion of its support under grants from government agencies as discussed in Note 3. A significant reduction in the level of government revenue could have an adverse effect on the Organization's activities.

Revenue from fundraising activities or special events, which are not recurrent, major or central activities of the Organization, is reported in the Statements of Activities, net of direct costs.

Donated Materials and Services: Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the dates of receipt.

Contributed services are reported as contributions at their fair values if such services create or enhance non-financial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

Compensated Absences: At year-end, the Organization accrued liabilities for unused vacation, sick leave, and personal time earned by its employees. Employees are allowed to carry over a maximum of 120 hours of paid-time off. Unused paid-time off is paid upon retirement or termination.

Advertising Expense: The Organization expenses advertising costs as incurred.

Income Taxes: The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Consequently, the Organization will not incur any liability for Federal income tax, except for tax arising from unrelated-business income.

Management has assessed the Organization's exposure to income taxes at the entity level as a result of potentially uncertain tax positions taken in current and previously filed tax returns. Examples of uncertain tax positions taken at the entity level include the continuing validity of the Organization's exempt status and the prospect of being subject to the Federal filing requirement for unrelated-business income. Presently, management believes that it is more likely than not that the Organization's tax positions will be sustained upon examination, including any appeals and litigation, and consequently, management believes that the Organization has no exposure to income-tax liabilities arising from uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress.

Functional Allocation of Expenses: The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, the Organization's expenses have been allocated among the programs and supporting services benefited. Such allocations are determined equitably by management.



**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Adoption of New Accounting Pronouncement: In 2018, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements of not-for-profit entities. The Update provides for the classification of net assets into those with donor restrictions and those without donor restrictions, presentation of expenses by natural and functional classifications, information about liquidity and availability of resources, information provided about investment returns, and disclosures of amounts and purposes of board designations of net assets and the composition of net assets with donor restrictions.

The amendments required by this ASU have been applied retrospectively except for the disclosures about liquidity and availability of resources for the year ended June 30, 2018, as allowed by the Update. Adoption of this standard resulted in no material impact on the Organization's results of operations or financial condition.

Recent Accounting Pronouncements: In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The amendments in this Update are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, e.g. Topic 606, and (2) determining whether a contribution is conditional. The amendments in this Update are applicable for contributions received or made during annual periods beginning after June 15, 2018, in which an entity is either a public-business entity or a not-for-profit that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or over-the-counter market. For all other entities, the amendments in this Update are applicable to annual periods beginning after December 15, 2018. Early adoption of the amendments is permitted. The amendments in this Update are to be applied on a modified-prospective basis, although retrospective application is permitted. Under a modified-prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered-into after the effective date. Management is currently evaluating the effect that the amendments will have on the Organization's financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from contracts with Customers (Topic 606)*, requiring the entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing, revenue-recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Upon the issuance of ASU 2015-14, FASB deferred the effective date for non-public companies to annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements (Continued): In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). The most significant change in the new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which these assets and liabilities are not recorded, and lease payments are generally recognized over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under legacy accounting principles generally accepted in the United States of America. For all entities other than public-business enterprises, this standard is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the effects that this standard will have on the Organization's financial statements.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentations. These reclassifications had no effect on the Organization's financial position, changes in net assets or cash flows as of and for the year ended June 30, 2018.

Subsequent Events: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 11, 2019, the date the financial statements were available to be issued.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Liquidity**

Financial assets available for general expenditure; that is, without donor or other restrictions limiting their use; within one year of June 30, 2019, comprise the following:

	Amount
Financial assets at year-end:	
Cash and cash equivalents	\$ 718,971
Investments	402,220
Contributions receivable	40,667
Accounts receivable	64,512
Beneficial interest in:	
Perpetual trusts	642,984
Charitable-remainder trusts	27,476
Endowment funds	624,342
Other investments	18,679
Total financial assets	<u>2,539,851</u>
Less amounts not available for use within one year:	
Net assets with donor restrictions	
Subject to expenditure for specified purpose	702,811
Sustainability campaign	35,408
Subject to the passage of time	40,667
Beneficial interest in:	
Perpetual trusts	642,984
Charitable-remainder trusts	27,476
Donor-restricted, endowment funds	259,491
Board designated portion of endowment fund	328,071
Cash surrender value of life insurance policy	18,679
Financial assets not available for use within one year	<u>2,055,587</u>
Financial assets available to meet general expenditures within one year	<u>\$ 484,264</u>

Children's Aid Society, Southern Pennsylvania District - Church of the Brethren is funded in part by contributions from donors that contain restrictions. Those restrictions require that resources be used for certain purposes or in future periods. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors, and as a result, certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization can also draw upon a \$50,000 line-of-credit (as discussed in Note 11).

Board designated net assets represent agency accounts with community foundations established by the Organization's Board of Directors for future use. However, these reserves may be available currently if necessary.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Funding**

The Organization receives a significant portion of its support under government grants from the U.S. Department of Health and Human Services; this support is passed through the Pennsylvania Department of Human Services, the County of York and the Pennsylvania Medical Assistance Program. For the years ended June 30, 2019 and 2018, 33% and 31%, respectively, of non-investment and fundraising support and revenue was comprised of pass-through government grants.

**Note 4. Investments**

Investments at June 30, 2019 and 2018, consist of the following:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 30,424	\$ 30,424	\$ 12,744	\$ 12,744
Mutual funds - bond	154,160	155,416	151,987	155,592
Mutual funds - equity	304,205	251,587	286,555	239,587
	<u>\$ 488,789</u>	<u>\$ 437,427</u>	<u>\$ 451,286</u>	<u>\$ 407,923</u>

Investments are included in net assets as follows:

	2019	2018
Without donor restriction	\$ 402,220	\$ 364,717
With donor restriction	86,569	86,569
	<u>\$ 488,789</u>	<u>\$ 451,286</u>

Income from investments for the years ended June 30, 2019 and 2018, consists of the following:

	2019	2018
Interest and dividends	\$ 9,358	\$ 7,070
Net realized and unrealized gains	26,163	27,997
Investment fees	(3,434)	(3,252)
	<u>\$ 32,087</u>	<u>\$ 31,815</u>

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Contributions Receivable**

Included in contributions receivable are the following unconditional promises-to-give:

	2019	2018
United Way of York County	\$ 36,000	\$ 40,000
United Way of Franklin County	4,667	5,503
Sustainability Campaign - unrestricted	-	1,942
Sustainability Campaign - endowment	-	50
	<u>\$ 40,667</u>	<u>\$ 47,495</u>

Contributions receivable are included in net assets with donor restriction.

**Note 6. Property and Equipment**

Property and equipment at June 30, 2019 and 2018, consist of the following:

	2019	2018
Land	\$ 10,000	\$ 10,000
Building and improvements	1,049,397	1,022,859
Office equipment	49,362	49,362
Furniture and fixtures	57,231	57,231
	<u>1,165,990</u>	<u>1,139,452</u>
Less accumulated depreciation	(667,342)	(631,264)
	<u>\$ 498,648</u>	<u>\$ 508,188</u>

Depreciation expense was \$36,079 in 2019 and \$39,347 in 2018.

During the year ended June 30, 2019, the Organization received contributed materials, valued at \$30,000, to be used for future building improvements. The materials were capitalized as construction-in-progress.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Beneficial Interest in Perpetual Trusts**

The Organization is the beneficiary of several perpetual trusts, which are administered by third-party trustees. Under the terms of these arrangements, the Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity, but the Organization will never receive the assets held in trust. None of the underlying, trust agreements place any restrictions on the use of the income. The Organization has recorded its beneficial interest in these trusts at fair values of the trust assets when the Organization was notified of the trusts' existences. The contributions have been recognized as support with donor restriction. Distributions from the trusts are reported as, investment income without donor restriction. Increases and decreases in the fair values of the trusts' assets are recognized as gains or losses with donor restriction. The fair values of the trusts' assets totaled \$642,984 at June 30, 2019, and \$648,796 at June 30, 2018. Income from the perpetual trusts for the years ended June 30, 2019 and 2018, consists of the following:

	2019	2018
Interest and dividends	\$ 24,201	\$ 23,394
Net unrealized gains (losses)	(5,812)	3,388
	<u>\$ 18,389</u>	<u>\$ 26,782</u>

**Note 8. Charitable-Remainder Trusts**

The Organization has been named as remainder beneficiary in various charitable-remainder trusts. Under these arrangements in which the Organization has been named as Trustee, the Organization recognizes the fair values of the assets received and records a liability to the specified, lead beneficiary for the present value of the estimated future payments to be distributed over the beneficiary's life or other specified, time period (Note 12). Any differences between the assets and liabilities recognized are recorded as contributions which increase net assets with donor restriction. Investment income, including realized and unrealized gains and losses, resulting from these arrangements is recognized as a change in net assets with donor restriction. In instances where the Organization is not the Trustee and does not exercise control over the assets contributed to the trust, the agreements are recognized as beneficial interests in trust. Upon terminations of the agreements, the related assets and liabilities are closed, and any remaining balances are reclassified to net assets without donor restriction. Assets held in charitable-remainder trusts at June 30, 2019 and 2018, consist of the following:

	2019	2018
Trusts in which Children's Aid Society is named as Trustee	\$ 12,422	\$ 12,422
Trusts held by third-party Trustees	15,054	16,743
	<u>\$ 27,476</u>	<u>\$ 29,165</u>

The underlying assets of the trusts are managed by various trust departments and foundations. Assets are diversified among issuers. The net decrease in values of these trusts was \$1,689 in the year ended on June 30, 2019, and the net increase in values of these trusts was \$5,575 for the year ended June 30, 2018.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Endowment Funds**

The Organization's endowment funds at June 30, 2019 and 2018, consist of the following:

	2019	2018
Community Foundations		
York Foundation - The Lehman Center	\$ 130,592	\$ 130,990
York Foundation - The Nicarry Center	127,605	127,994
The Franklin County Foundation - The Frances Leiter Center	69,874	72,806
	<u>328,071</u>	<u>331,790</u>
Donor-restricted Endowment Funds		
Everence	222,124	210,040
ACNB	74,147	74,147
	<u>296,271</u>	<u>284,187</u>
Total Endowment Funds	<u>\$ 624,342</u>	<u>\$ 615,977</u>

Amounts held in community foundation endowment funds are invested as part of the foundations' general portfolios. Investments are diversified among issuers. During the years ended June 30, 2019 and 2018, the Organization made no transfers to its community foundation endowment funds.

Amounts held in donor-restricted endowment funds are invested in debt and equity securities and mutual funds. The investments are diversified among issuers and managed by commercial financial institutions. A portion of the donor-restricted endowment funds is invested with the Organization's general investment portfolio (Note 4). Investment income is without donor restriction.

Investment income from endowment funds consists of the following:

	2019	2018
Interest and dividends	\$ 10,172	\$ 8,950
Net realized and unrealized gains	20,640	27,357
Investment fees	(6,337)	(6,359)
	<u>\$ 24,475</u>	<u>\$ 29,948</u>

The York Foundation makes annual distributions to the Organization based upon a spending policy of 4.50% of the average, market value of the endowment funds' assets over the 12-preceding, calendar quarters. The Franklin County Foundation distributes the actual, investment earnings of the fund's assets. Distributions from community foundation, endowment funds were \$16,659 and \$11,454 for the years ended June 30, 2019 and 2018, respectively.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Endowment Funds (Continued)**

Endowment, Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Community foundation, endowment funds	\$ 328,071	\$ -	\$ 328,071
Donor-restricted, endowment funds	36,780	259,491	296,271
Total endowment net assets	<u>\$ 364,851</u>	<u>\$ 259,491</u>	<u>\$ 624,342</u>

Changes in Endowment, Net Asset Composition by Type of Fund During the Year Ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 357,035	\$ 258,942	\$ 615,977
Investment return:			
Investment income	10,172	-	10,172
Net appreciation (depreciation)			
Realized	18,055	-	18,055
Unrealized	2,585	-	2,585
Total investment return	<u>30,812</u>	<u>-</u>	<u>30,812</u>
Contributions	-	549	549
Appropriation of endowment assets for expenditures	(16,659)	-	(16,659)
Other changes:			
Investment fees	<u>(6,337)</u>	<u>-</u>	<u>(6,337)</u>
Endowment net assets, end of year	<u>\$ 364,851</u>	<u>\$ 259,491</u>	<u>\$ 624,342</u>



**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Endowment Funds (Continued)**

Endowment, Net Asset Composition by Type of Fund at June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Community foundation, endowment funds	\$ 331,790	\$ -	\$ 331,790
Donor-restricted, endowment funds	25,245	258,942	284,187
Total endowment net assets	<u>\$ 357,035</u>	<u>\$ 258,942</u>	<u>\$ 615,977</u>

Changes in Endowment, Net Asset Composition by Type of Fund During the Year Ended June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 338,541	\$ 244,991	\$ 583,532
Investment return:			
Investment income	8,950	-	8,950
Net appreciation (depreciation)			
Realized	1,912	-	1,912
Unrealized	25,445	-	25,445
Total investment return	<u>36,307</u>	<u>-</u>	<u>36,307</u>
Contributions	-	13,951	13,951
Appropriation of endowment assets for expenditures	(11,454)	-	(11,454)
Other changes:			
Investment fees	<u>(6,359)</u>	<u>-</u>	<u>(6,359)</u>
Endowment net assets, end of year	<u>\$ 357,035</u>	<u>\$ 258,942</u>	<u>\$ 615,977</u>

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Investments**

The Organization is the owner of a cash value, life insurance policy on an individual. Premiums payable under the insurance policy are paid by the insured and recognized as contributions without donor restriction by the Organization. The Organization will receive the policy's face value upon the death of the insured or the accumulated cash value upon the termination of the policy. The face value of the insurance policy was \$25,586 at June 30, 2019 and 2018. The accumulated, cash value of the insurance policy was \$18,679 and \$17,962 at June 30, 2019 and 2018, respectively. Increases in the insurance policy's cash value are accounted for as, investment income with donor restriction. During the years ended June 30, 2019 and 2018, the increases in cash-surrender value of the life-insurance contract were \$717 and \$677, respectively.

**Note 11. Notes Payable - Line-of-Credit**

The Organization has a \$50,000 line-of-credit agreement with Adams County National Bank (ACNB). Advances on the line are payable on demand and bear interest at the Wall Street Prime Rate (5.5% as of June 30, 2019) plus 1.00%, with a floor of 4.25%; interest is payable monthly. The line-of-credit is collateralized by the Organization's Investment Management Account held by ACNB. As of June 30, 2019 and 2018, the Organization had no outstanding advances. Interest expense related to the line-of-credit was \$-0- for the years ended June 30, 2019 and 2018.

**Note 12. Obligations Under Trust and Annuity Agreements**

The Organization has entered into agreements with donors in which the donors have contributed assets to the Organization in exchange for a promise by the Organization to pay a fixed amount for a specified period of time to the donors or other designated beneficiaries. These arrangements include charitable-remainder trusts and charitable-gift annuities. Assets received under charitable-remainder trusts are held by a trust. Assets received under charitable-gift annuities are held as general assets of the Organization. However, state regulations require that certain percentages of outstanding, annuity liabilities be maintained as minimum reserves for protection of the annuitants. Corresponding, annuity liabilities are recognized at the present values of the estimated, future payments to be made to the donors. Any differences between the assets and liabilities recognized are recorded as contributions without donor restriction. Changes in the present values of the estimated, future payments to be made to the donors that result from amortization of discounts or changes in actuarial assumptions are recognized in the Statements of Activities as "changes in values of split-interest agreements" in net assets with donor restriction. Upon terminations of the agreements, the related assets and liabilities are closed, and any remaining balances are reclassified to net assets without donor restriction.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Obligations Under Trust and Annuity Agreements (Continued)**

Obligations under trust and annuity agreements at June 30, 2019 and 2018, consist of the following:

	2019	2018
Charitable-gift annuities	\$ 8,059	\$ 8,618
Less current portion	(575)	(559)
Long-term portion	<u>\$ 7,484</u>	<u>\$ 8,059</u>

Expected, future, annuity payments are as follows:

Year	Amount
2020	\$ 575
2021	590
2022	607
2023	624
2024	642
Thereafter	5,021
	<u>\$ 8,059</u>

The net decrease in present values of these charitable gift annuities was \$242 and \$257 for the years ended June 30, 2019 and 2018, respectively.

**Note 13. Fair Value Measurements**

The Organization follows the provisions of the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization's financial assets that are recorded at fair value on a current basis consist of investments in marketable securities, beneficial interests in perpetual and charitable-remainder trusts, endowment funds and cash value of a life insurance policy. The Organization's financial liabilities consist of obligations under trust and annuity agreements which approximate the liabilities' fair values. The Organization has no non-financial assets or liabilities that are recognized and disclosed on a current basis at their fair values.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 13. Fair Value Measurements (Continued)**

ASC 820 establishes a three-level, fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on other significant observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full terms of the assets.

Level 3: Fair values are calculated by the use of price models and/or discounted, cash flow methodologies, and may require significant, management judgment or estimation. These methodologies may result in significant portions of the fair values being derived from unobservable data.

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those instruments.

The assets or liabilities 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.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money market funds: Money market funds are based on closing market prices for the identical security reported in active markets.

Certificates of deposit: Certificates of deposit are valued at closing market prices for identical or comparable securities reported in active markets.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Fair Value Measurements (Continued)**

Equity (stock) funds: Equity funds listed or traded on any national market or exchange are valued at the last sales prices as of the close of the exchange on which such securities are traded.

Fixed income (bond) funds: Bond funds, other than money-market instruments, are generally valued at the most recent bid prices of equivalent, quoted yields for such securities (or those of comparable maturities, qualities and types).

The following tables set forth, by level within the fair value hierarchy, the Organization's financial assets at fair value as of June 30, 2019 and 2018:

Financial Assets at Fair Value as of June 30, 2019

	Level 1	Level 2	Level 3	Total
Investments	\$ 402,220	\$ -	\$ -	\$ 402,220
Perpetual trusts	-	-	642,984	642,984
Charitable-remainder trusts	27,476	-	-	27,476
Endowment funds	624,342	-	-	624,342
Cash value of life insurance policy	-	18,679	-	18,679
	<u>\$ 1,054,038</u>	<u>\$ 18,679</u>	<u>\$ 642,984</u>	<u>\$ 1,715,701</u>

Financial Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Investments	\$ 364,717	\$ -	\$ -	\$ 364,717
Perpetual trusts	-	-	648,796	648,796
Charitable-remainder trusts	29,165	-	-	29,165
Endowment funds	615,977	-	-	615,977
Cash value of life insurance policy	-	17,962	-	17,962
	<u>\$ 1,009,859</u>	<u>\$ 17,962</u>	<u>\$ 648,796</u>	<u>\$ 1,676,617</u>

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 13. Fair Value Measurements (Continued)**

The following table sets forth a summary of changes in fair values of the Organization's Level 3 financial assets as of June 30, 2019 and 2018:

	2019	2018
Balances - July 1,	\$ 648,796	\$ 645,408
Realized and unrealized gains (losses), included in changes in permanently restricted net assets	(5,812)	3,388
Investment income, included in changes in unrestricted net assets	24,201	23,394
Distribution	(24,201)	(23,394)
Balances - June 30,	<u>\$ 642,984</u>	<u>\$ 648,796</u>

**Note 14. Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2019 and 2018, consist of the following:

	2019	2018
Subject to expenditure for specified purpose:		
Operation of The Lehman Center	\$ 702,811	\$ 335,985
Sustainability Campaign	35,408	229,822
Subject to the passage of time:		
Promises to give that are unavailable until due	40,667	45,503
Beneficial interests in charitable-remainder trusts	27,476	29,164
Cash value of life insurance policy	18,679	17,962
Endowments:		
Permanently restricted to endowment by donors	259,491	258,991
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trusts	642,984	648,796
	<u>\$ 1,727,516</u>	<u>\$ 1,566,223</u>

Board-designated net assets consist of agency accounts established with community foundations (Note 9) and are subject to appropriation and expenditure as the board designates. At June 30, 2019 and 2018, total board designated net assets were \$328,071 and \$331,790, respectively.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 14. Net Assets With Donor Restrictions (Continued)**

Net assets during the years ended June 30, 2019 and 2018, were released from donor restrictions by satisfying the following restricted purposes:

	2019	2018
Satisfaction of purpose restrictions		
Operation of The Lehman Center	\$ 28,078	\$ 37,607
Sustainability Campaign	194,414	180,484
Expiration of time restrictions	48,594	48,449
	<u>\$ 271,086</u>	<u>\$ 266,540</u>

**Note 15. Fundraising Activities**

The Organization conducts fundraising activities throughout the year to help support its program services. For the years ended June 30, 2019 and 2018, gross revenues and the related direct costs of special events and fundraising activities were as follows:

	2019	2018
Fundraising proceeds	\$ 127,984	\$ 124,974
Fundraising direct costs	(26,244)	(19,892)
	<u>\$ 101,740</u>	<u>\$ 105,082</u>

**Note 16. Retirement Plan**

The Organization sponsors a defined-contribution, retirement plan that is available for substantially all employees.

Participating employees may contribute a percentage of their compensation into the plan, subject to annual limits set by law. Employee contributions are matched by the Organization up to 3.00% of employees' eligible compensation.

Retirement plan expense for the years ended June 30, 2019 and 2018, was \$22,073 and \$22,349, respectively.

**CHILDREN'S AID SOCIETY  
SOUTHERN PENNSYLVANIA DISTRICT - CHURCH OF THE BRETHREN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 17. Statements of Cash Flows**

Interest paid was \$-0- in 2019 and \$3,413 in 2018.

**Note 18. Subsequent Events**

In August 2019, the Board approved a technology upgrade for a cost of approximately \$52,415.

In September 2019, the Organization received a \$384,024 bequest restricted for the Organization's Lehman Center.

In October 2019, the Organization increased the line-of-credit from \$50,000 to \$250,000.