

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

**FINANCIAL REPORT**

**JUNE 30, 2021**

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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, 2021 and 2020, 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**

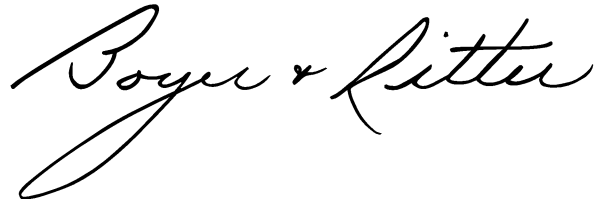
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 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.

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

Camp Hill, Pennsylvania  
October 21, 2021

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

**STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Current Assets		
Cash and cash equivalents	\$ 222,173	\$ 120,602
Cash - restricted	44,486	128,897
Restricted investments - Certificates of Deposit	1,199,457	834,121
Investments	576,892	431,577
Current portion of contributions receivable	37,740	38,509
Accounts receivable	165,506	61,763
Prepaid expenses	4,597	4,597
<b>Total current assets</b>	<b>2,250,851</b>	<b>1,620,066</b>
Property and equipment, net	474,547	515,829
Construction-in-progress	95,046	30,000
Beneficial interest in:		
Perpetual trusts	834,288	730,389
Charitable-remainder trusts	-	8,879
Endowment funds		
Investments	371,130	306,457
Beneficial interest in community foundation funds	386,644	296,605
Cash value of life insurance	20,206	19,430
<b>Total assets</b>	<b>\$ 4,432,712</b>	<b>\$ 3,527,655</b>

See Notes to Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Current Liabilities</b>		
Current portion of obligations under trust and annuity agreements	\$ 607	\$ 590
Accounts payable	75,045	24,045
Accrued expenses	62,613	105,471
Deferred revenue	1,670	2,315
Amount held for others	4,669	86,272
Paycheck Protection Program loan	234,480	234,630
<b>Total current liabilities</b>	<b>379,084</b>	<b>453,323</b>
<b>Obligations Under Trust and Annuity Agreements - net of current portion</b>		
	<b>6,287</b>	<b>6,894</b>
<b>Total liabilities</b>	<b>385,371</b>	<b>460,217</b>
<b>Net Assets</b>		
<b>Without donor restriction</b>		
Undesignated	1,109,316	721,859
Board designated	386,644	296,605
Total without donor restriction	1,495,960	1,018,464
<b>With donor restriction</b>	<b>2,551,381</b>	<b>2,048,974</b>
<b>Total net assets</b>	<b>4,047,341</b>	<b>3,067,438</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,432,712</b>	<b>\$ 3,527,655</b>

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

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 332,551	\$ 431,441	\$ 763,992
Forgiveness of Paycheck Protection Program loan	234,630	-	234,630
Grants	95,148	197,340	292,488
Program service revenue	782,122	-	782,122
Fundraising - net of direct costs	122,202	-	122,202
Net investment income	338,946	108,815	447,761
Other income	10,657	-	10,657
Net assets released from restrictions	235,189	(235,189)	-
<b>Total support and revenue</b>	<b>2,151,445</b>	<b>502,407</b>	<b>2,653,852</b>
<b>Expenses and Losses</b>			
Program services	1,348,701	-	1,348,701
Management and general	228,383	-	228,383
Fundraising	96,865	-	96,865
<b>Total expenses</b>	<b>1,673,949</b>	<b>-</b>	<b>1,673,949</b>
<b>Change in net assets</b>	<b>477,496</b>	<b>502,407</b>	<b>979,903</b>
<b>Net Assets:</b>			
July 1, 2020	1,018,464	2,048,974	3,067,438
June 30, 2021	<u>\$ 1,495,960</u>	<u>\$ 2,551,381</u>	<u>\$ 4,047,341</u>

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 236,071	\$ 424,324	\$ 660,395
Grants	68,556	10,000	78,556
Program service revenue	727,562	-	727,562
Fundraising - net of direct costs	98,458	-	98,458
Net investment income	55,117	83,536	138,653
Other income	6,100	-	6,100
Net assets released from restrictions	196,402	(196,402)	-
<b>Total support and revenue</b>	<b>1,388,266</b>	<b>321,458</b>	<b>1,709,724</b>
<b>Expenses and Losses</b>			
Program services	1,265,826	-	1,265,826
Management and general	195,571	-	195,571
Fundraising	107,590	-	107,590
<b>Total expenses</b>	<b>1,568,987</b>	<b>-</b>	<b>1,568,987</b>
<b>Change in net assets</b>	<b>(180,721)</b>	<b>321,458</b>	<b>140,737</b>
<b>Net Assets:</b>			
July 1, 2019	1,199,185	1,727,516	2,926,701
June 30, 2020	\$ 1,018,464	\$ 2,048,974	\$ 3,067,438

See Notes to Financial Statements.



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

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Cash Flows From Operating Activities		
Changes in net assets	\$ 979,903	\$ 140,737
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	41,282	39,188
Forgiveness of Paycheck Protection Program loan	(234,630)	-
Donated stock	(5,280)	-
Net realized and unrealized (gains) losses on investments	(128,029)	1,120
Changes in values of perpetual trusts	(103,899)	(87,405)
Changes in values of charitable remainder trusts	8,879	18,597
Changes in values of endowment funds	(151,875)	517
Changes in values of cash value of life insurance	(776)	(751)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(103,743)	2,749
Contributions receivable	769	2,158
Prepaid expenses	-	(809)
Inventory	-	2,942
(Decrease) increase in:		
Accounts payable	51,000	(7,094)
Accrued expenses	(42,858)	8,556
Amount held for others	(81,603)	76,202
Deferred revenue	(645)	(30)
<b>Net cash provided by operating activities</b>	<b>228,495</b>	<b>196,677</b>
Cash Flows From Investing Activities		
Purchase of restricted investments - Certificates of Deposit	(365,336)	(834,121)
Purchase of investments	(57,065)	(74,403)
Proceeds from sale of investments	40,000	37,504
Purchases of property and equipment	-	(56,369)
Increase of construction-in-progress	(65,046)	-
<b>Net cash used in investing activities</b>	<b>(447,447)</b>	<b>(927,389)</b>

(Continued)

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

**STATEMENTS OF CASH FLOWS (Continued)  
Years Ended June 30, 2021 and 2020**

	<b>2021</b>	2020
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	<b>234,480</b>	234,630
Repayments of obligations under trust and annuity agreements	<b>(590)</b>	(575)
Distributions from endowment funds	<b>2,222</b>	27,185
<b>Net cash provided by financing activities</b>	<b>236,112</b>	261,240
<b>Net change in cash, cash equivalents         and restricted cash</b>	<b>17,160</b>	(469,472)
Cash, Cash Equivalents and Restricted Cash:		
Beginning	<b>249,499</b>	718,971
Ending	<b>\$ 266,659</b>	\$ 249,499
Supplemental Schedule of Noncash Investing Activities:		
Donated stock	<b>\$ (5,280)</b>	\$ -
Supplemental Schedule of Noncash Financing Activities:		
Forgiveness of Paycheck Protection Program loan	<b>\$ (234,630)</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, 2021**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 957,166	\$ 98,429	\$ 75,690	\$ 1,131,285
Payroll taxes	66,710	7,890	7,975	82,575
Employee benefits	103,209	5,203	3,124	111,536
Staff training and development	16,010	6,870	1,245	24,125
Program services	72,279	16,662	1,718	90,659
Utilities	24,339	4,915	-	29,254
Repairs and maintenance	33,743	13,967	-	47,710
Office supplies, postage and printing	8,393	3,421	7,113	18,927
Equipment repairs and maintenance	5,330	3,524	-	8,854
Telephone	8,516	2,645	-	11,161
Insurance	15,919	7,802	-	23,721
Professional services	7,593	36,604	-	44,197
Advertising and promotions	1,124	4,556	-	5,680
Bad debts	-	66	-	66
Miscellaneous	375	2,542	-	2,917
Depreciation	27,995	13,287	-	41,282
<b>Total</b>	<b>\$ 1,348,701</b>	<b>\$ 228,383</b>	<b>\$ 96,865</b>	<b>\$ 1,673,949</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, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 869,589	\$ 89,739	\$ 82,923	\$ 1,042,251
Payroll taxes	70,399	6,113	6,810	83,322
Employee benefits	94,601	5,705	3,057	103,363
Staff training and development	14,049	5,896	915	20,860
Program services	73,784	14,167	3,749	91,700
Utilities	26,505	5,853	-	32,358
Repairs and maintenance	38,684	8,196	-	46,880
Office supplies, postage and printing	5,999	2,390	10,136	18,525
Equipment repairs and maintenance	4,449	609	-	5,058
Telephone	8,823	2,337	-	11,160
Insurance	19,343	8,107	-	27,450
Professional services	9,919	23,420	-	33,339
Advertising and promotions	438	5,863	-	6,301
Bad debts	-	352	-	352
Miscellaneous	2,309	4,571	-	6,880
Depreciation	26,935	12,253	-	39,188
<b>Total</b>	<b>\$ 1,265,826</b>	<b>\$ 195,571</b>	<b>\$ 107,590</b>	<b>\$ 1,568,987</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 Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenue and support are recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The Organization's financial statements are prepared in accordance with U.S. GAAP which require reporting information regarding financial position and activities according to the following net asset classifications:

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

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.

**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)**

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. On June 30, 2021 and 2020, allowances for doubtful accounts were not necessary.

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.

Charitable Remainder Trusts: 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.

**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)**

Charitable Remainder Trusts (Continued):

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.

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.

**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)**

Amount Held for Others: Amount held for others represents cash the Organization holds as an agent for other entities.

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 Statements 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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

The Organization receives a significant portion of its support under grants from government agencies as discussed in Note 18. 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.



**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)**

Advertising Expense: The Organization expenses advertising costs as incurred.

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.

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.

Adoption of New FASB Accounting Standard: In 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

**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: In February 2016, FASB issued Accounting Standards Update (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, 2021 (e.g., fiscal year-end June 30, 2023), and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the effects that this Standard will have on the Organization's financial statements.

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact of this new standard on its financial statements.

Subsequent Events: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2021, the date the financial statements were available to be issued. See Note 20.

**Note 2. Concentrations of Credit Risk**

At times, the Organization's cash balance(s) with financial institutions may exceed Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses and management believes the Organization has limited exposure to significant credit risk. Management regularly monitors the financial institutions and the Organization's cash balances to minimize potential risk.

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.

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of total cash, cash equivalents, and restricted cash within the Statements of Financial Position to the cash, cash equivalent and restricted cash amounts on the Statements of Cash Flows:

	2021	2020
Cash and cash equivalents:		
Without donor restrictions		
Operating cash	\$ 216,525	\$ 34,330
Amount held for others	5,648	86,272
	<u>222,173</u>	<u>120,602</u>
With donor restrictions	44,486	128,897
Total cash, cash equivalents, and restricted cash shown on the Statements of Cash Flows	<u>\$ 266,659</u>	<u>\$ 249,499</u>

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**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Liquidity**

Financial assets available for general expenditure; that is, without donor or other restrictions limiting their use; within one year of June 30, 2021 and 2020, comprise the following:

	2021	2020
Financial assets at year-end:		
Cash, cash equivalents and restricted cash	\$ 266,659	\$ 249,499
Restricted investments - Certificates of Deposit	1,199,457	834,121
Investments	576,892	431,577
Contributions receivable	37,740	38,509
Accounts receivable	165,506	61,763
Beneficial interest in:		
Perpetual trusts	834,288	730,389
Charitable-remainder trusts	-	8,879
Endowment funds		
Investments	371,130	306,457
Beneficial interest in community foundation funds	386,644	296,605
Cash value of life insurance	20,206	19,430
Total financial assets	<u>3,858,522</u>	<u>2,977,229</u>
Less amounts not available for use within one year:		
Net assets with donor restrictions		
Subject to expenditure for specified purpose	1,399,656	992,276
Subject to the passage of time	37,740	38,509
Beneficial interest in:		
Perpetual trusts	834,288	730,389
Charitable-remainder trusts	-	8,879
Donor-restricted, endowment funds	259,491	259,491
Board designated portion of endowment fund	386,644	296,605
Cash value of life insurance	20,206	19,430
Amount held for others	4,669	86,272
Financial assets not available for use within one year	<u>2,942,694</u>	<u>2,431,851</u>
Financial assets available to meet general expenditures within one year	<u>\$ 915,828</u>	<u>\$ 545,378</u>

The Organization 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 \$250,000 line-of-credit (as discussed in Note 12).

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Liquidity (Continued)**

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.

**Note 5. Investments and Fair Value Measurements**

The Organization follows the provisions of the FASB's Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, 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.

FASB's *Fair Value Measurements Topic* of the ASC 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets which the Organization can access.   |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable, market data by correlation or other means.</li></ul> |

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. |
|---------|---|

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Investments and Fair Value Measurements (Continued)**

The following are descriptions of the valuation methodologies used for assets at fair value:

Level 1

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

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).

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.

Level 2

Cash value of life insurance: The fair value of the cash surrender value of life insurance is based on the Organization's share of the cash surrender value of the respective life insurance policy as represented by the insurance company.

Level 3

Perpetual trusts: Fair values of beneficial interests in perpetual trusts are based on percentages ownership of respective trust assets and on the values of trust assets reported to the Organization by Trustees.

Charitable remainder trusts: The fair value of the Organization's interest in charitable remainder trusts reflects the anticipated benefit of irrevocable trust assets for which the Organization is a beneficiary. As beneficiary payments are made to third parties, the Organization evaluates various inputs including the life expectancy of the beneficiary, discount rates, and the fair market value of the underlying investments which comprise the irrevocable trust assets. The fair market value of the underlying investments is determined based on the nature of the assets, which are typically investments such as money market funds, fixed income securities, equity securities, etc.

Beneficial interest in a community foundation funds: Fair values of beneficial interests in community foundation funds are based on the values of trust assets reported to the Organization by Trustees.

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Investments and Fair Value Measurements (Continued)**

The following tables set forth, by level within the fair value hierarchy, the Organization's financial assets at fair value as of June 30, 2021:

Financial Assets at Fair Value as of June 30, 2021

	Level 1	Level 2	Level 3	Total
Investments				
Money markets	\$ 6,609	\$ -	\$ -	\$ 6,609
Fixed income securities	184,897	-	-	184,897
Equity securities	385,386	-	-	385,386
Perpetual trusts	-	-	834,288	834,288
Endowment funds				
Money markets	3,221	-	-	3,221
Fixed income securities	118,014	-	-	118,014
Equity securities	249,895	-	-	249,895
Beneficial interest in community foundation funds	-	-	386,644	386,644
Cash value of life insurance policy	-	20,206	-	20,206
	<u>\$ 948,022</u>	<u>\$ 20,206</u>	<u>\$ 1,220,932</u>	<u>\$ 2,189,160</u>

As of June 30, 2021, the Organization held an additional \$1,199,457, in Certificates of Deposit at banks. These certificates, which are exempted from the fair value hierarchy disclosures, are carried at cost, plus accrued interest.

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**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Investments and Fair Value Measurements (Continued)**

The following tables set forth, by level within the fair value hierarchy, the Organization's financial assets at fair value as of June 30, 2020:

Financial Assets at Fair Value as of June 30, 2020

	Level 1	Level 2	Level 3	Total
Investments				
Money markets	\$ 32,444	\$ -	\$ -	\$ 32,444
Fixed income securities	139,411	-	-	139,411
Equity securities	259,722	-	-	259,722
Perpetual trusts	-	-	730,389	730,389
Charitable-remainder trusts	-	-	8,879	8,879
Endowment funds				
Money markets	11,888	-	-	11,888
Fixed income securities	110,319	-	-	110,319
Equity securities	184,250	-	-	184,250
Beneficial interest in community foundation funds	-	-	296,605	296,605
Cash value of life insurance policy	-	19,430	-	19,430
	<u>\$ 738,034</u>	<u>\$ 19,430</u>	<u>\$ 1,035,873</u>	<u>\$ 1,793,337</u>

As of June 30, 2020, the Organization held an additional \$834,121, in Certificates of Deposit at banks. These certificates, which are exempted from the fair value hierarchy disclosures, are carried at cost, plus accrued interest.



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**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Investments and Fair Value Measurements (Continued)**

The following schedule summarizes the investment income (loss) and its classification in the Statement of Activities for the year ended June 30, 2021:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 40,122	\$ -	\$ 40,122
Realized and unrealized gains	187,643	-	187,643
Distribution from beneficial interest in perpetual trust	27,253	-	27,253
Change in value of perpetual trusts	-	103,899	103,899
Change in value of charitable remainder trusts	-	4,350	4,350
Change in gift annuity payable	-	(210)	(210)
Change in value of life insurance	-	776	776
Change in value of community endowments	93,756	-	93,756
Investment management fees	(9,828)	-	(9,828)
	<u>\$ 338,946</u>	<u>\$ 108,815</u>	<u>\$ 447,761</u>

The following schedule summarizes the investment income (loss) and its classification in the Statement of Activities for the year ended June 30, 2020:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 41,697	\$ -	\$ 41,697
Realized and unrealized gains	2,644	-	2,644
Distribution from beneficial interest in perpetual trust	21,739	-	21,739
Change in value of perpetual trusts	-	87,405	87,405
Change in value of charitable remainder trusts	-	(4,395)	(4,395)
Change in gift annuity payable	-	(225)	(225)
Change in value of life insurance	-	751	751
Change in value of community endowments	(2,156)	-	(2,156)
Investment management fees	(8,807)	-	(8,807)
	<u>\$ 55,117</u>	<u>\$ 83,536</u>	<u>\$ 138,653</u>

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**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Investments and 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, 2021:

	Perpetual Trusts	Charitable Remainder Trusts	Endowment Funds
Balances - July 1, 2020	\$ 730,389	\$ 8,879	\$ 296,605
Contributions	-	-	1,131
Interest and dividends	-	-	1,274
Change in value of perpetual trusts	103,899	-	-
Change in value of charitable remainder trusts	-	4,350	-
Change in value of community endowments	-	-	93,756
Investment management fees	-	-	(3,900)
Distribution	-	(13,229)	(2,222)
Balances - June 30, 2021	<u>\$ 834,288</u>	<u>\$ -</u>	<u>\$ 386,644</u>

The following table sets forth a summary of changes in fair values of the Organization's Level 3 financial assets as of June 30, 2020:

	Perpetual Trusts	Charitable Remainder Trusts	Endowment Funds
Balances - July 1, 2019	\$ 642,984	\$ 27,476	\$ 328,071
Interest and dividends	-	-	1,528
Change in value of perpetual trusts	87,405	-	-
Change in value of charitable remainder trusts	-	(4,395)	-
Change in value of community endowments	-	-	(2,156)
Investment management fees	-	-	(3,652)
Distribution	-	(14,202)	(27,186)
Balances - June 30, 2020	<u>\$ 730,389</u>	<u>\$ 8,879</u>	<u>\$ 296,605</u>

**Note 6. Contributions Receivable**

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

	2021	2020
United Way of York County	\$ 36,000	\$ 36,000
United Way of Franklin County	1,740	2,509
	<u>\$ 37,740</u>	<u>\$ 38,509</u>

Contributions receivable are included in net assets with donor restriction.

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**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Property and Equipment and Construction-in-Progress**

Property and equipment at June 30, 2021 and 2020, consist of the following:

	2021	2020
Land	\$ 10,000	\$ 10,000
Building and improvements	1,060,346	1,060,346
Office equipment	94,782	94,782
Furniture and fixtures	57,231	57,231
	<u>1,222,359</u>	<u>1,222,359</u>
Less accumulated depreciation	(747,812)	(706,530)
	<u>\$ 474,547</u>	<u>\$ 515,829</u>

Depreciation expense was \$41,282 in 2021, and \$39,188 in 2020.

During the year ended June 30, 2021, the Organization paid for building improvements for God's Closet at The Nicarry Center and incurred some costs related to The Lehman Center. At June 30, 2021, these amounts remained a construction-in-process.

**Note 8. 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 \$834,288 at June 30, 2021, and \$730,389 at June 30, 2020. Income from the perpetual trusts for the years ended June 30, 2021 and 2020, consists of the following:

	2021	2020
Distribution from beneficial interest in perpetual trust	\$ 27,253	\$ 21,739
Change in value of perpetual trusts	103,899	87,405
	<u>\$ 131,152</u>	<u>\$ 109,144</u>

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**NOTES TO FINANCIAL STATEMENTS**

**Note 9. 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 to be received. 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. The underlying assets of the trusts are managed by various trust departments and foundations. Assets are diversified among issuers. During 2021, the charitable-remainder trusts were closed upon the death of the donors who setup the trusts. The balance of the charitable-remainder trusts at June 30, 2021 and 2020, consist of the following:

	2021	2020
Trusts held by third-party Trustees	\$ -	\$ 8,879

**Note 10. Endowment Funds**

The Organization's endowment funds at June 30, 2021 and 2020, consist of the following:

	2021	2020
Community Foundations		
York Foundation - The Lehman Center	\$ 154,295	\$ 117,069
York Foundation - The Nicarry Center	150,767	114,392
The Foundation for Enhancing Communities - The Frances Leiter Center	80,377	65,144
Adams County Community Foundation	1,205	-
	<u>386,644</u>	<u>296,605</u>
Donor-restricted Endowment Funds		
ACNB	<u>371,130</u>	<u>306,457</u>
Total Endowment Funds	<u>\$ 757,774</u>	<u>\$ 603,062</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, 2021 and 2020, the Organization made no transfers to its community foundation endowment funds.

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Endowment Funds (Continued)**

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 5). Investment income is without donor restriction.

Investment income from endowment funds consists of the following:

	2021	2020
Interest and dividends	\$ 8,125	\$ 9,626
Net realized and unrealized gains	153,370	1,608
Investment fees	(5,692)	(5,329)
	<u>\$ 155,803</u>	<u>\$ 5,905</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 Foundation for Enhancing Communities distributes the actual, investment earnings of the fund's assets. The Adams County Community Foundation will make distributions once the fund grows to \$10,000. For the year ended June 30, 2020, both Foundations made their 2020 distributions earlier than normal due to the ongoing Pandemic. Early distributions received and recognized for the year ended June 30, 2020, totaled \$14,340. Total distributions from community foundation endowment funds were \$2,222 and \$27,185, for the years ended June 30, 2021 and 2020, respectively.

**CHILDREN'S AID SOCIETY  
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**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Endowment Funds (Continued)**

Endowment, Net Asset Composition by Type of Fund at June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Community foundation endowment funds	\$ 386,644	\$ -	\$ 386,644
Donor-restricted endowment funds	111,639	259,491	371,130
Total endowment net assets	\$ 498,283	\$ 259,491	\$ 757,774

Changes in Endowment, Net Asset Composition by Type of Fund During the Year Ended June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 343,571	\$ 259,491	\$ 603,062
Investment return:			
Investment income	8,125	-	8,125
Net appreciation			
Realized	3,751	-	3,751
Unrealized	149,619	-	149,619
Total investment return	161,495	-	161,495
Contributions	1,131	-	1,131
Appropriation of endowment assets for expenditures	(2,222)	-	(2,222)
Other changes:			
Investment fees	(5,692)	-	(5,692)
Endowment net assets, end of year	\$ 498,283	\$ 259,491	\$ 757,774

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**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Endowment Funds (Continued)**

Endowment, Net Asset Composition by Type of Fund at June 30, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Community foundation endowment funds	\$ 296,605	\$ -	\$ 296,605
Donor-restricted endowment funds	46,966	259,491	306,457
Total endowment net assets	\$ 343,571	\$ 259,491	\$ 603,062

Changes in Endowment, Net Asset Composition by Type of Fund During the Year Ended June 30, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 364,851	\$ 259,491	\$ 624,342
Investment return:			
Investment income	9,626	-	9,626
Net appreciation			
Realized	21	-	21
Unrealized	1,587	-	1,587
Total investment return	11,234	-	11,234
Contributions	-	-	-
Appropriation of endowment assets for expenditures	(27,185)	-	(27,185)
Other changes:			
Investment fees	(5,329)	-	(5,329)
Endowment net assets, end of year	\$ 343,571	\$ 259,491	\$ 603,062

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Cash Value of Life Insurance**

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. The accumulated cash value of the insurance policy was \$20,205 and \$19,430 at June 30, 2021 and 2020, respectively. Increases in the insurance policy's cash value are accounted for as investment income with donor restriction. During the years ended June 30, 2021 and 2020, the increases in cash surrender value of the life insurance contract were \$776 and \$751, respectively.

**Note 12. Notes Payable - Line-of-Credit**

The Organization has a \$250,000 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 plus 1.00%, with a floor of 4.25%; interest is payable monthly. Interest at June 30, 2021 was 4.50%. The line-of-credit is collateralized by the Organization's Investment Management Account held by ACNB. As of June 30, 2021 and 2020, the Organization had no outstanding advances. There was no interest expense related to the line-of-credit for the years ended June 30, 2021 and 2020.

**Note 13. Paycheck Protection Program Loan and Advances**

On April 15, 2020, the Organization received loan proceeds in the amount of \$203,130, under the Paycheck Protection Program ("PPP"). On May 28, 2020, the Organization received an additional \$31,350 under the program. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period.

The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized \$234,630 of loan forgiveness income for the year ended June 30, 2021.

On February 1, 2021, the Organization received additional loan proceeds in the amount of \$234,480 under the PPP. The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2021.



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**NOTES TO FINANCIAL STATEMENTS**

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**Note 14. 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. 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.

Obligations under trust and annuity agreements at June 30, 2021 and 2020, consist of the following:

	2021	2020
Charitable-gift annuities	\$ 6,894	\$ 7,484
Less current portion	(607)	(590)
Long-term portion	<u>\$ 6,287</u>	<u>\$ 6,894</u>

The net decrease in present values of these charitable gift annuities was \$210 and \$225, for the years ended June 30, 2021 and 2020, respectively.

Expected future annuity payments are as follows:

Year	Amount
2022	\$ 607
2023	624
2024	642
2025	660
2026	677
Thereafter	3,684
	<u>\$ 6,894</u>

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**NOTES TO FINANCIAL STATEMENTS**

**Note 15. Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2021 and 2020, consist of the following:

	2021	2020
Subject to expenditure for specified purpose:		
Operation of The Lehman Center	\$ 1,243,944	\$ 982,276
York Cares code blue shelter	119,600	-
Family advocacy	36,112	10,000
Subject to the passage of time:		
Promises to give that are unavailable until due	37,740	38,509
Beneficial interests in charitable-remainder trusts	-	8,879
Cash value of life insurance policy	20,206	19,430
Endowments:		
Permanently restricted to endowment by donors	259,491	259,491
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trusts	834,288	730,389
	<u>\$ 2,551,381</u>	<u>\$ 2,048,974</u>

Board designated net assets consist of agency accounts established with community foundations (Note 10) and are subject to appropriation and expenditure as the Board designates. At June 30, 2021 and 2020, total Board designated net assets were \$386,644 and \$296,605, respectively.

Net assets during the years ended June 30, 2021 and 2020, were released from donor restrictions by satisfying the following restricted purposes:

	2021	2020
Satisfaction of purpose restrictions		
Operation of The Lehman Center	\$ 169,773	\$ 104,559
Sustainability Campaign	-	35,408
Family advocacy	13,888	-
Expiration of time restrictions	38,299	42,233
Distribution of charitable remainder trusts	13,229	14,202
	<u>\$ 235,189</u>	<u>\$ 196,402</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 16. Fundraising Activities**

The Organization conducts fundraising activities throughout the year to help support its program services. For the years ended June 30, 2021 and 2020, gross revenues and the related direct costs of special events and fundraising activities were as follows:

	2021	2020
Fundraising proceeds	\$ 142,383	\$ 118,928
Fundraising direct costs	(20,181)	(20,470)
	<u>\$ 122,202</u>	<u>\$ 98,458</u>

**Note 17. 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, 2021 and 2020, was \$20,148 and \$21,807, respectively.

**Note 18. 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, 2021 and 2020, 27% and 36%, respectively, of non-investment and fundraising support and revenue was comprised of pass-through government grants.

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 19. Uncertainties**

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have disrupted operations of companies in many industries. Facility closings, labor and personnel layoffs, curtailments of supply lines and increased materials costs, contracted production, dislocations of product delivery methods and reduced markets enhance the Organization's risk factors as they have a significant reliance on revenue from third parties to fund their operations. These factors adversely impact revenue recognition, cash flows and liquidity, contingencies, and in some instances, the going-concern assumption. Presently, the ultimate effects of this crisis on financial position, results of operations and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

**Note 20. Subsequent Events**

In September 2021, the Organization received a \$516,907 bequest restricted for the Organization's Lehman Center.