Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

THE CHILDREN'S AID SOCIETY

June 30, 2017 and 2016

THE CHILDREN'S AID SOCIETY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The Children's Aid Society

We have audited the accompanying consolidated financial statements of The Children's Aid Society (the "Agency" or "Children's Aid"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the consolidated 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 Agency'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Children's Aid Society as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matters

The consolidated financial statements of The Children's Aid Society, as of and for the year ended June 30, 2016, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2016 consolidated financial statements in their report dated December 6, 2016.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of The Children's Aid Society as of and for the year ended June 30, 2017 as a whole. The accompanying supplementary information on pages 33 through 35 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
December 27, 2017

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Financial Position
As of June 30, 2017 and 2016
(in thousands)

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2 and 11)	$ 12,740	$ 13,362
Accounts and grants receivable, net (Notes 2 and 3)	18,104	21,394
Contributions receivable, net (Notes 2 and 4)	1,537	1,623
Accrued interest receivable	-	206
Debt service reserve (Notes 16 and 17)	10,157	22,332
Prepaid expenses and other assets	1,662	1,620
Investments (Notes 2, 5, and 13)	313,158	291,394
Split-interest agreement investments (Note 14)	3,152	3,135
Property and equipment, net (Notes 2 and 6)	59,759	45,679
Total assets	$ 420,269	$ 400,745
LIABILITIES		
Accounts payable	$ 3,978	$ 2,395
Accrued expenses	12,120	9,475
Accrued pension and post-retirement liability, net (Note 9)	61,209	52,506
Deferred revenue	2,115	2,423
Split-interest liabilities (Note 14)	1,861	138
Loan payable, net (Note 16)	6,426	6,395
Bonds payable, net (Note 17)	39,841	39,935
Other liabilities	446	486
Total liabilities	127,996	113,753
Commitments and contingencies (Note 10)		
NET ASSETS (Note 2)		
UNRESTRICTED		
Board designated special purpose funds (Note 7)	11,024	13,210
Board designated real estate reserve fund	27,756	-
Net investment in property and equipment	23,649	21,681
Undesignated	209,217	233,622
	271,646	268,513
Temporarily restricted (Notes 7 and 8)	13,816	11,918
Permanently restricted (Note 7)	6,811	6,561
Total net assets	292,273	286,992
Total liabilities and net assets	$ 420,269	$ 400,745

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Activities
For the years ended June 30, 2017 and 2016
(in thousands)

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
OPERATING REVENUE AND SUPPORT								
Government support (Note 2)	$ 80,415	$ -	$ -	$ 80,415	$ 80,315	$ -	$ -	$ 80,315
Program services fees and dues	4,227	-	-	4,227	5,648	-	-	5,648
Contributions (Note 2)	8,455	7,939	250	16,644	3,539	12,805	750	17,094
Bequests (Note 2)	1,532	-	-	1,532	1,535	-	-	1,535
Estates and trusts	512	-	-	512	742	-	-	742
Rental income	633	-	-	633	779	-	-	779
Investment return used for operations and special initiatives (Note 5)	16,288	-	-	16,288	17,407	-	-	17,407
Gain on sale of property and equipment (Note 6)	-	-	-	-	19,771	-	-	19,771
Other revenue	119	-	-	119	120	-	-	120
In-kind contributions	1,993	-	-	1,993	-	-	-	-
Net assets released from board designated special purpose funds	4,157	-	-	4,157	5,233	-	-	5,233
Net assets released from restrictions for operations (Notes 2 and 8)	6,041	(6,041)	-	-	7,245	(7,245)	-	-
Total operating revenue and support	124,372	1,898	250	126,520	142,334	5,560	750	148,644
OPERATING EXPENSES (Note 2)								
Program Services								
Early Childhood	17,955	-	-	17,955	16,223	-	-	16,223
School Age	20,332	-	-	20,332	21,117	-	-	21,117
Adolescent and Carrera Pregnancy Prevention Program	10,416	-	-	10,416	12,891	-	-	12,891
Health and Wellness	16,069	-	-	16,069	15,682	-	-	15,682
Child Welfare and Family Services	39,147	-	-	39,147	40,254	-	-	40,254
National Center for Community Schools	1,424	-	-	1,424	1,384	-	-	1,384
Total program services	105,343	-	-	105,343	107,551	-	-	107,551
Supporting Services								
Management and General	21,565	-	-	21,565	18,859	-	-	18,859
Fundraising	3,163	-	-	3,163	3,200	-	-	3,200
Total supporting services	24,728	-	-	24,728	22,059	-	-	22,059
Total operating expenses	130,071	-	-	130,071	129,610	-	-	129,610
Change in net assets from operations	(5,699)	1,898	250	(3,551)	12,724	5,560	750	19,034
NON-OPERATING ACTIVITIES (Note 2)								
Change in board designated special purpose fund	(4,157)	-	-	(4,157)	(5,233)	-	-	(5,233)
Investment return in excess (deficit) of amount used for operations (Note 5)	20,605	-	-	20,605	(26,028)	(181)	-	(26,209)
Adjustment to obligation under split-interest agreements	(1,722)	-	-	(1,722)	-	-	-	-
Pension related changes other than net periodic pension costs (Note 9)	(5,894)	-	-	(5,894)	(10,821)	-	-	(10,821)
Change in net assets from nonoperating activities	8,832	-	-	8,832	(42,082)	(181)	-	(42,263)
Change in total net assets	3,133	1,898	250	5,281	(29,358)	5,379	750	(23,229)
Net assets - beginning of year	268,513	11,918	6,561	286,992	297,871	6,539	5,811	310,221
Net assets - end of year	$ 271,646	$ 13,816	$ 6,811	$ 292,273	$ 268,513	$ 11,918	$ 6,561	$ 286,992

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Functional Expenses
For the years ended June 30, 2017 and 2016
(in thousands)

	Program Services Expenses													
	Early Childhood		School Age		Adolescent and Carrera Pregnancy Prevention Program		Health and Wellness		Child Welfare and Family Services		National Center for Community Schools		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Salaries	$10,665	$10,331	$12,900	$12,739	$ 6,187	$ 7,421	$ 8,252	$ 7,773	$16,572	$17,419	$ 768	$ 743	$ 55,344	$ 56,426
Employee health and retirement benefits	3,257	2,350	1,789	1,767	1,320	1,644	1,980	1,816	4,020	4,504	203	197	12,569	12,278
Payroll taxes	983	976	1,188	1,203	570	701	761	734	1,528	1,645	71	70	5,101	5,329
Total salaries and related expenses	14,905	13,657	15,877	15,709	8,077	9,766	10,993	10,323	22,120	23,568	1,042	1,010	73,014	74,033
Professional fees	79	70	256	434	440	1,261	1,136	1,069	1,404	1,612	143	63	3,458	4,509
Supplies	423	338	657	666	156	158	1,179	1,741	185	210	12	8	2,612	3,121
Telephone and communication	44	55	103	163	58	101	107	126	348	402	11	16	671	863
Postage and shipping	3	2	9	8	3	9	11	9	41	52	1	3	68	83
Occupancy	735	827	649	1,265	150	416	510	822	2,280	2,267	70	69	4,394	5,666
Outside printing and promotion	6	5	16	23	14	13	30	31	17	17	8	13	91	102
Local travel and related expenses	9	11	62	97	113	99	200	118	561	571	37	70	982	966
Training, conferences, conventions and partnership grants	167	164	468	648	553	73	35	50	71	99	13	9	1,307	1,043
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specific assistance for individuals	33	30	777	712	433	541	98	87	574	789	-	-	1,915	2,159
Foster Boarding Home	-	-	-	-	-	-	-	-	10,046	9,116	-	-	10,046	9,116
Repairs	5	25	34	51	2	3	102	55	3	5	5	8	151	147
Insurance	168	146	205	180	99	105	221	248	263	270	12	10	968	959
Membership dues	-	6	7	15	1	3	26	61	3	37	-	-	37	122
Food	452	607	436	506	79	113	70	45	109	109	58	90	1,204	1,470
Information technology	55	78	132	129	74	96	201	255	175	203	10	11	647	772
Depreciation and amortization	75	202	266	504	9	117	351	477	625	653	2	4	1,328	1,957
Interest	-	-	-	-	-	-	149	149	219	219	-	-	368	368
Miscellaneous	2	-	15	7	5	17	24	16	43	55	-	-	89	95
In-kind donation	794	-	363	-	150	-	626	-	60	-	-	-	1,993	-
Total expenses	$17,955	$16,223	$20,332	$21,117	$ 10,416	$12,891	$16,069	$15,682	$39,147	$40,254	$ 1,424	$ 1,384	$105,343	$107,551

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Functional Expenses (continued)
For the years ended June 30, 2017 and 2016
(in thousands)

	Supporting Services Expenses							
	Management and General		Fundraising		Total		Total Program and Supporting Services Expenses	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries	$ 9,591	$ 9,316	$ 1,612	$ 1,799	$ 11,203	$ 11,115	$ 66,547	$ 67,541
Employee health and retirement benefits	2,528	2,289	422	458	2,950	2,747	15,519	15,025
Payroll taxes	855	890	149	170	1,004	1,060	6,105	6,389
Total salaries and related expenses	12,974	12,495	2,183	2,427	15,157	14,922	88,171	88,955
Professional fees	2,868	2,432	249	100	3,117	2,532	6,575	7,041
Supplies	117	149	19	30	136	179	2,748	3,300
Telephone and communication	116	155	14	14	130	169	801	1,032
Postage and shipping	26	27	35	67	61	94	129	177
Occupancy	2,795	1,215	61	72	2,856	1,287	7,250	6,953
Outside printing and promotion	93	166	82	27	175	193	266	295
Local travel and related expenses	73	137	8	5	81	142	1,063	1,108
Training, conferences, conventions and partnership grants	208	255	13	7	221	262	1,528	1,305
Special events	9	9	344	350	353	359	353	359
Specific assistance to or for individuals	43	71	-	-	43	71	1,958	2,230
Foster Boarding Home	1	-	-	-	1	-	10,047	9,116
Repairs	42	38	-	-	42	38	193	185
Insurance	151	122	24	25	175	147	1,143	1,106
Membership dues	41	29	-	-	41	29	78	151
Food	48	51	19	16	67	67	1,271	1,537
Information Technology	915	1,124	107	39	1,022	1,163	1,669	1,935
Depreciation and amortization	934	262	5	11	939	273	2,267	2,230
Interest expense	-	-	-	-	-	-	368	368
Miscellaneous	111	122	-	10	111	132	200	227
In-kind donation	-	-	-	-	-	-	1,993	-
Total expenses	$ 21,565	$ 18,859	$ 3,163	$ 3,200	$ 24,728	$ 22,059	$ 130,071	$ 129,610

The accompanying notes are an integral part of these consolidated financial statements.

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Cash Flows
For the years ended June 30, 2017 and 2016
(in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,281	$ (23,229)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,214	2,200
Amortization of deferred financing costs	53	30
Pension related changes other than net periodic pension costs	5,894	10,821
Adjustment to obligation under split-interest agreements	1,722	-
Bad debt	-	116
Amortization of bond premium	(116)	-
Realized and unrealized loss (gain) on investments	(37,099)	11,652
Gain on disposal of property and equipment	-	(19,771)
Subtotal	(22,051)	(18,181)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	3,290	(1,434)
Contributions receivable	86	1,065
Accrued interest receivable	206	80
Prepaid expenses and other assets	(42)	503
Increase (decrease) in:		
Accounts payable	1,583	(1,777)
Accrued expenses	2,645	3,416
Accrued pension and post-retirement liability	2,809	2,146
Deferred revenue	(308)	1,580
Split-interest liabilities	1	(55)
Other liabilities	(40)	-
Net cash used in operating activities	(11,821)	(12,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,294)	(18,625)
Proceeds from sale of property and equipment (net)	-	21,624
Purchases of investments	(543,881)	(199,920)
Proceeds from sale/maturity of investments	559,199	201,900
Net cash (used in) provided by investing activities	(976)	4,979
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond payable	-	40,580
Funding of debt service reserve	-	(22,206)
Deferred financing costs	12,175	(645)
Net cash provided by financing activities	12,175	17,729
Net (decrease) increase in cash and cash equivalents	(622)	10,051
Cash and cash equivalents, beginning of year	13,362	3,311
Cash and cash equivalents, end of year	$ 12,740	$ 13,362
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 368	$ 388

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Children's Aid Society ("Children's Aid"), founded in 1853, is a New York not-for-profit organization, as defined by Section 501(c)(3) of the Internal Revenue Code. Through award-winning and time-proven strategies, the Children's Aid helps children in poverty to succeed and thrive. We do this by providing comprehensive supports to children and their families in targeted high-needs New York City neighborhoods.

On December 14, 2009, Children's Aid formed 910 East 172nd Street, LLC ("910 LLC"), a limited liability company, pursuant to and in accordance with the Limited Liability Company Law of the State of New York. As the sole member, Children's Aid manages the affairs of 910 LLC.

On August 8, 2012, Children's Aid acquired Milbank Housing Development Fund Corporation ("Milbank") by becoming the sole member of Milbank. The corporation has ceased activity and is in the process of being dissolved by its Board of Trustees.

On March 11, 2014, Children's Aid formed 1218 Southern Blvd, LLC ("1218 LLC") and 1232 Southern Blvd, LLC ("1232 LLC"), limited liability companies, pursuant to and accordance with the Limited Liability Company Law of the State of New York. As sole member, Children's Aid manages the affairs of these LLCs.

The consolidated financial statements of Children's Aid have been prepared by consolidating the financial statements of the Children's Aid, 910 East 172nd Street, LLC, 1218 LLC, 1232 LLC and the Milbank Housing Development Fund Corporation (collectively the "Agency" or "Children's Aid"). All material intercompany transactions and balances have been eliminated in consolidation.

The programs that form the pillars of Children's Aid's approach are:

Early Childhood

The Early Childhood division prepares young children for school success through physical, social, emotional, and cognitive development. Core services include Early Head Start (ages 0-3) and Head Start and Early Learn day care (ages 3-5).

School Age

The School Age division focuses on ages 5-13 (kindergarten through 8th grade), and promotes physical, social, and emotional well-being as key factors for high school graduation and college success. School Age programs operate in Children's Aid locations and in full-service community school partnerships, and engage children, families, schools and communities through an integrated focus on academics, services, supports, and opportunities. Core services include Out-of-School Time Programs in Children's Aid community centers and schools, summer camps, athletic programming, and the National Center for Community Schools, which provides technical assistance to develop the community school model nationally and internationally.

Adolescence

The Adolescence division works with adolescents and young adults to enhance young people's physical, social, and emotional competencies, improve their academic performance, and prepare them for successful careers and financial independence. Core services include the Carrera-Adolescent Pregnancy Prevention Program, which meets the top tier evidence of effectiveness standards by The Coalition for Evidence-Based Policy, the EXCEL college support program providing assistance to help young people enter and complete college, the Hope Leadership Academy, which provides wrap-around supports and develops leadership through a peer education model, and teen employment services such as AmeriCorps internships, Summer Youth Employment Program, and the New York Times Employment Program.

Health and Wellness

The Health and Wellness division provides high-quality services that reduce health disparities among children and families living in poverty. This includes comprehensive medical, mental health and dental services delivered by pediatricians, nurse practitioners, social workers, psychiatrists, dentists, health educators, medical assistants, and other support staff. Specialized programs also aim to reduce childhood obesity, and educate children and families about the benefits of healthy living through diet, nutrition and exercise.

Child Welfare and Family Services

The Child Welfare & Family Services ("CWFS") division promotes child and family stability through legal and housing advocacy, home-based services for children at risk of foster care placement; and supports for young adults at risk of disconnection from society, many of whom have been involved with the criminal justice system. CWFS also finds high-quality, loving homes for children placed in foster care and supports parents seeking to reunify with their children. Additional programs include: the Family Wellness Program, which offers comprehensive services to families impacted by domestic violence; the Next Generation Center where teens and young adults, particularly those aging out of foster care, are supported in their transition to adulthood; the Office of Client Advocacy, which stabilizes low-income families through legal advocacy and material assistance; and College Savers, which establishes savings accounts and provides incentives towards saving for college.

National Center for Community Schools

National Center for Community Schools builds the capacity of schools, districts, community partners and government agencies to organize their human and financial resources around student success.

2. FINANCIAL STATEMENT PRESENTATION

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. All inter-company transactions are eliminated in the preparation of the accompanying consolidated financial statements.

Net Asset Classification

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or net assets which the Board of Trustees (the "Board") has designated for specified purposes in carrying on the operations the Agency. Unrestricted net assets include amounts designated by the Board for specific purposes and net assets for operations. In addition, Children's Aid maintains a balance of unrestricted reserves which it spends against in a fashion similar to endowment reserves. On May 9, 2017, the Board passed a resolution to establish a real estate reserve fund from the proceeds of sale of various real estate from prior periods.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for expenditure by the Board. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for expenditure, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. This represents net assets subject to donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity.

Cash and Cash Equivalents

Children's Aid classifies deposits in banks, money market accounts, and debt instruments with original maturities of three months or less from the date of purchase as cash equivalents, excluding cash and cash equivalents available for long-term investment, which are included within investments on the accompanying statements of financial position.

Contributions/Pledges Receivable

Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are presented at their discounted present value applying a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

Allowance for Uncollectible Receivables

An allowance is recorded based on prior years' collection experience and management's analysis and evaluation of specific accounts, grants and contributions to be received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. As of June 30, 2017 and 2016, the Agency determined that an allowance of approximately $982,000 each year for accounts and grants receivable was necessary. The difference between the contribution amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible contributions receivable. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical experience.

Government Support

Government grants and contracts are reported as revenue when expenses are incurred in accordance with the terms of the agreement. The Agency records certain governmental support based-upon per diem rates paid by agencies of the City of New York and State of New York governments. These rates are subject to audit by the respective agencies.

Investments

Investments are stated at fair value. Investment gains and losses are included in the changes in unrestricted net assets for the gains and losses that are unrestricted, and in the changes in temporarily restricted net assets for the gains and losses that are restricted for the support of certain Children's Aid programs as specified by donors. Alternative investments in limited partnerships and private equity are stated at fair value as estimated by the respective general partner or manager as of the reporting date in an unquoted market. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Other alternative investments are stated at Net Asset Value ("NAV") which approximates fair value. Because of the inherent uncertainty of valuations of alternative investments, values for these investments may differ significantly from values that would have been used had a ready market for such investments existed.

Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 13.

Property and Equipment

The Agency capitalizes expenditures for buildings and building improvements, furniture and equipment having a cost of $5,000 or more and useful lives greater than five years. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the term of the lease to which the betterments pertain. Depreciation is not recorded on land and construction-in-progress.

(in thousands)

The range of estimated useful lives follows:

Buildings and improvements	15 - 40 years
Furniture and equipment	5 -10 years
Leasehold improvements	Life of lease
Vehicles	5 -10 years
Computers	5 -10 years

Impairment of Long-Lived Assets to be Disposed of

ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets," provides a single accounting model for long-lived assets to be disposed of. Accounting Standards Codification ("ASC") 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, *long-lived assets*, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. There were no impairment charges for the years ended June 30, 2017 and 2016.

Revenue Recognition

Children's Aid 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted net assets. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of temporarily restricted net assets.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be satisfied at the time of acquisition of such long-lived assets. Bequests are recognized when the Agency receives notification that the probate court has declared the will is valid and the amounts to be received are estimatable.

Children's Aid also receives grants from foundations in exchange for the performance of various services. Children's Aid recognizes grants as temporarily restricted revenue when they are committed and releases such amounts into unrestricted net assets as related grant expenses are incurred to a maximum of the grant award.

Donated Services

The fair value of voluntary donated services are reported in the consolidated financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based time and effort.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Measure of Operations

The Agency includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions, except for endowment gifts that have been permanently restricted by donors. Investment income, including realized and unrealized gains and losses, earned in excess of (or less than) the Agency's aggregate spending amount (see Note 5), and pension-related changes other than periodic pension costs are recognized as non-operating activities.

Reclassifications

Certain line items in the June 30, 2016 consolidated financial statements have been reclassified to conform to the June 30, 2017 presentation. These changes are reflected in the consolidated statements of financial position and had no impact on the change in net assets for the year ended June 30, 2016.

New Accounting Pronouncements

Children's Aid's significant accounting policies are disclosed in Note 2. There were no accounting policy changes during fiscal 2017, except the adoption of ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that deferred bond issuance costs be presented net of related debt on the balance sheet. The ASU is effective for fiscal years beginning after December 15, 2015. Management adopted this ASU, effective for the year ended June 30, 2017 and has applied the guidance retroactively to all periods presented. Bond issuance costs continue to be amortized over the lives of the respective bonds to which they pertain.

(in thousands)

Income Taxes

The Agency follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Agency is exempt from federal income tax under Internal Revenue Code ("Code") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Agency has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Agency has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements for the years ended June 30, 2017 and 2016.

3. ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable consist of the following at June 30, 2017 and 2016:

	2017	2016
Due from the City of New York	$ 9,867	$ 14,908
Due from the State of New York	5,375	5,045
Due from Federal government	1,608	1,623
Due from other sources	2,236	800
	19,086	22,376
Less: Allowance for uncollectible amounts	(982)	(982)
	$ 18,104	$ 21,394

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consist of the following:

	2017	2016
Bequests receivable	$ 140	$ 407
Pledges receivable, net	1,397	1,216
	$ 1,537	$ 1,623

(in thousands)

Bequests receivable are expected to be collected in less than one year. Pledges are expected to be collected as follows:

	2017	2016
Less than one year	$ 1,148	$ 1,123
One to two years	250	94
Discount for the time value of money	(1)	(1)
	$ 1,397	$ 1,216

5. INVESTMENTS

Investments consist of the following at June 30, 2017 and 2016:

	2017	2016
Cash and money market funds	$ 10,679	$ 6,076
Equities	119,191	144,710
Fixed income	29,048	75,491
Alternative investments:		
Private capital	99,116	40
Hedge funds	26,586	-
Limited partnership interests	28,538	-
Other investments	-	65,077
Total	$ 313,158	$ 291,394

Private capital investments consist of global equity, long-short fixed income and absolute return funds. Hedge funds have varying investment strategies, including domestic equities, emerging markets, and relative and absolute value opportunities. Limited partnership interests include a global long-only equity fund and a multi-strategy, event driven global fund. Other investments, classified as such in 2016, consist of Children's Aid's investments in hedge funds and limited partnerships.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near-term and that such changes could be material.

(in thousands)

Investment activity (net of fees) consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Realized gain (loss)	$ 23,880	$ (842)
Unrealized gain (loss)	13,219	(10,810)
Interest and dividends (net of investment fees)	(206)	2,850
	$ 36,893	$ (8,802)
Designation of investment activity:		
Amount used for operations and special initiatives	$ 16,288	$ 17,407
Amount in excess of (less than) used for operations	20,605	(26,209)
	$ 36,893	$ (8,802)

Investment fees amounted to approximately $2,989,000 and $1,476,000 for the years ended June 30, 2017 and 2016, respectively.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at of June 30, 2017 and 2016:

	2017	2016
Land	$ 5,782	$ 5,782
Buildings and improvements	25,781	25,602
Furniture and equipment	8,465	7,978
Leasehold improvements	6,743	6,742
Construction in progress (See below)	37,615	21,988
Total cost	84,386	68,092
Less: accumulated depreciation and amortization	(24,627)	(22,413)
Net book value	$ 59,759	$ 45,679

Depreciation expense amounted to $2,214,000 and $2,200,000 for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2016, Children's Aid sold property and equipment for net proceeds of approximately $21,624,000, which resulted in a gain of approximately $19,771,000.

Construction in progress is primarily for the construction of the building located at 1232 Southern Blvd., Bronx, New York to house the Children's Aid College Prep Charter School and related Children's Aid programs. The estimated total project cost, as of June 30, 2017, excluding capitalized interest, was approximately $46.19 million and the building was completed in October 2017.

During fiscal 2017, Children's Aid quantified and recognized the fair value of the contributed space it receives for its programmatic purposes to total approximately $1,579,000, and recognized it as a component of both contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its 2017 consolidated statements of activities and functional expenses. A similar process to recognize the value of this contributed space was not followed in prior years.

7. ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted endowment funds and board designated special purpose funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. See Note 2 for how Children's Aid reports its net assets.

Children's Aid recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

Children's Aid's Board has interpreted NYPMIFA as allowing Children's Aid to appropriate for expenditure or accumulate so much of an endowment fund as Children's Aid determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

For donor-restricted endowment funds and other unrestricted reserves, the Board of Trustees of Children's Aid has established investment policies. Investments consist of equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk through excessive concentration in any single asset class or individual security. Asset allocation is determined by the Investment Committee of the Board and reviewed regularly. Effective June 24, 2016, Children's Aid outsourced endowment discretionary investment management services to Perella Weinberg Partners Capital Management LP.

For the years ended June 30, 2017 and 2016, the distribution for current spending was based on the organization's investment and spending policy, as adopted by the Board of Trustees. This policy is compliant in all material respects with the standards established under the New York Prudent Management of Institutional Funds Act (NYPMIFA), and provides guidance for the use of the organization's unrestricted reserves and permanent endowments. For the years ended June 30, 2017 and 2016, the primary distribution for current spending was 5.75% of the average fair value of the endowment and reserve funds on the last business day of each of the prior 20 calendar quarters. There is also the spending rate that excludes the proceeds of any real estate sales or other significant one-time additions to the endowment if those funds are intended for a designated project but includes the projected minimum required pension contribution for the coming year. The Board of Trustees has from time to time authorize additional distributions for specific purposes.

(in thousands)

Permanently restricted endowment funds are classified as "restricted as to income" or "unrestricted as to income" as follows:

	2017	2016
Investment in perpetuity, the income from which is expendable to support specific activities of Children's Aid	$ 2,741	$ 2,741
Investment in perpetuity, the income from which is expendable to support any activities of Children's Aid	4,070	3,820
	$ 6,811	$ 6,561

Changes in endowment investments for year ended June 30, 2017 follow:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 13,210	$ 389	$ 6,561	$ 20,160
Activity:				
Additions/contributions	1,405	-	250	1,655
Investment income	-	-	-	-
Net depreciation (realized and unrealized)	-	832	-	832
Appropriated for operations	(3,591)	(137)	-	(3,728)
Total activity	(2,186)	695	250	(1,241)
Endowment net assets, June 30, 2017	$ 11,024	$ 1,084	$ 6,811	$ 18,919

Changes in endowment investments for year ended June 30, 2016 follow:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 17,618	$ 602	$ 5,811	$ 24,031
Activity:				
Additions/contributions	921	-	750	1,671
Investment income	32	60	-	92
Net depreciation (realized and unrealized)	(128)	(241)	-	(369)
Appropriated for operations	(5,233)	(32)	-	(5,265)
Total activity	(4,408)	(213)	750	(3,871)
Endowment net assets, June 30, 2016	$ 13,210	$ 389	$ 6,561	$ 20,160

(in thousands)

Children's Aid's policy is that endowment earnings will be appropriated for expenditure in accordance with donors stipulations. In the absence of donor stipulations, endowment earnings are classified as temporarily restricted until appropriated for expenditure by the Board of Trustees. As of June 30, 2017 and 2016, all earnings without donor stipulations were appropriated by the Board of Trustees, and are classified as unrestricted. As of June 30, 2017 and 2016, endowment earnings with donor stipulations amounted to $1,084,000 and $389,000, respectively, and are classified under temporarily restricted net assets.

In accordance with US GAAP, Children's Aid is required to disclose any deterioration of the fair value of assets associated with donor restricted endowment funds that fall below the level the donor requires Children's Aid to retain in perpetuity. Deficiencies of this nature may result from unfavorable market fluctuations that may have affected the donor restricted fund where the fair value of the donor restricted fund fell below the amount that is required to be retained permanently. As of June 30, 2017 and 2016, Children's Aid had no individual funds that had values below their original corpus values.

Permanently restricted endowment net assets amounting to approximately $6,811,000 and $6,561,000 are included with investments on the consolidated statements of financial position as of June 30, 2017 and 2016, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Administration	$ 376	$ 493
Adolescence Programs	5,727	2,952
Child Welfare and Family Services Programs	696	1,287
Early Childhood Programs	864	566
Health and Wellness Programs	2,172	3,182
National Center for Community Schools	87	223
School Age Programs	3,894	3,215
	$ 13,816	$ 11,918

Net assets of approximately $6,041,000 and $7,245,000 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2017 and 2016, respectively.

9. DEFINED BENEFIT AND POST-RETIREMENT PLANS ("PLANS")

Children's Aid has a noncontributory defined benefit pension plan covering eligible employees hired prior to January 1, 2012. The benefits are based on years of service and an employee's compensation. The pension benefit formula was revised effective July 1, 2011 resulting in a reduction in the benefits earned after July 1, 2011. Children's Aid makes annual contributions that meet the requirements of minimum funding and maximum contribution limitations.

(in thousands)

In addition to providing pension benefits, Children's Aid provides certain health-care and life insurance benefits for retired employees subject to predefined limits and eligibility requirements. The postretirement plan is currently noncontributory, however, Children's Aid reserves the right to request contributions into the plan. An amendment to the plan has been made excluding from the postretirement plan employees who are hired after July 1, 2010.

The funded status of the Plans at June 30, 2017 and 2016 is as follows:

	2017		2016	
	Pension Benefits	**Post-Retirement Benefits**	**Pension Benefits**	**Post-Retirement Benefits**
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 99,343	$ 14,633	$ 89,735	$ 12,863
Interest cost	3,867	578	3,916	584
Service cost	2,547	670	2,593	637
Actuarial loss (gain)	10,492	(770)	5,706	860
Benefits paid	(6,478)	(241)	(2,607)	(311)
Benefit obligation at end of year	109,771	14,870	99,343	14,633
Fair value of plan assets	63,432	-	61,470	-
Unfunded status	$ (46,339)	$ (14,870)	$ (37,873)	$ (14,633)

Amounts recognized in unrestricted net assets for the Plans consist of the following as of June 30, 2017 and 2016:

	2017		2016	
	Pension Benefits	**Post-Retirement Benefits**	**Pension Benefits**	**Post-Retirement Benefits**
Net actuarial loss (gain)	$ 47,525	$ (683)	$ 41,187	$ 42
Prior service credit	(137)	(808)	(162)	(890)
Transition asset	(1,044)	-	(1,392)	-
	$ 46,344	$ (1,491)	$ 39,633	$ (848)

The components of net periodic benefit cost for the Plans for the years ended June 30, 2017 and 2016, are as follows:

	2017		2016	
	Pension Benefits	**Post-Retirement Benefits**	**Pension Benefits**	**Post-Retirement Benefits**
Interest cost	$ 3,867	$ 578	$ 3,916	$ 584
Service cost	2,547	670	2,593	637
Expected return on plan assets	(4,040)	-	(4,154)	-
Amortization of net loss (gain)	2,754	(45)	1,978	(65)
Amortization of prior service cost	(25)	(82)	(25)	(82)
Amortization of net transition asset	(174)	-	(174)	-
	$ 4,929	$ 1,121	$ 4,134	$ 1,074

(in thousands)

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2017 and 2016, are as follows:

	2017		2016	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Net loss (gain)	$ 6,338	$ (725)	$ 9,614	$ 926
Amortization of prior service cost	25	82	25	82
Amortization of transition asset	174	-	174	-
Total recognized in change in unrestricted net assets	$ 6,537	$ (643)	$ 9,813	$ 1,008

For the year ended June 30, 2017, Children's Aid made total contributions of $3,000,000 into the defined-benefit pension plan, and expects to meet the minimum required contributions for Plan years 2017 and 2018.

The weighted average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Discount rate	3.91 %	4.00 %
Expected return on plan assets	6.75 %	6.75 %
Salary increase	2.50 %	2.50 %

The weighted average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Discount rate	3.99 %	4.00 %
Expected return on plan assets	N/A	N/A
Salary increase	3.00 %	3.00 %

The assumed heath care cost trend rate at June 30, 2017 is 3.84%. Increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by $2,945,262 as of June 30, 2017, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for the year by $318,780.

Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by $2,250,347 as of June 30, 2017, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $236,109.

(in thousands)

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

	Pension Benefits	Post-Retirement Benefits
2018	$ 3,195	$ 365
2019	3,359	385
2020	3,635	408
2021	3,926	414
2022	4,266	436
2023-2027	25,328	2,710

The defined benefit plan assets reported at fair value at June 30, 2017, are classified as Level 1, Level 2 and Level 3 except for those reported at fair value using NAV, which are separately presented, in the table as follows:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and money market funds	$ 1,587	$ -	$ -	$ -	$ 1,587
Equity securities	24,347	-	-	-	24,347
Fixed income	13,372	-	-	-	13,372
Real estate	-	-	-	24,126	24,126
Total investments, at fair value	$ 39,306	$ -	$ -	$ 24,126	$ 63,432

The following table sets forth additional disclosures of the Children's Aid's defined benefit plan investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017.

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Frequency	Redemption Restrictions	Redemption Restrictions
Real Estate/Private Capital	N/A	$ 21,515	8	N/A	N/A	**N/A**	Daily to Annual	Year lock Soft	2 to 90 days
Emerging Markets Equity	N/A	2,611	1	N/A	N/A	N/A	Quarterly		30 days
		$ 24,126							

(in thousands)

The defined benefit plan assets reported at fair value at June 30, 2016, are classified as Level 1 and Level 2 which are presented in the table as follows:

	Level 1	Level 2	Total
Cash and money market funds	3,323	-	3,323
Equity securities	27,842	-	27,842
Fixed income	-	9,977	9,977
Mutual funds	20,328	-	20,328
Total investments, at fair value	$ 51,493	$ 9,977	$ 61,470

10. COMMITMENTS AND CONTINGENCIES

In February 2015, Children's Aid signed a 5 year lease agreement for space located at 711 Third Avenue, New York, New York that will serve as the Agency's administrative offices. In addition, Children's Aid leases several other premises under operating lease agreements.

Future minimum required annual lease payments are as follows:

Year ending June 30:	
2018	$ 3,806
2019	2,508
2020	1,585
2021	261
2022	54
	$ 8,214

There are also a number of other rentals of premises utilized for programs. Charges for these premises are calculated on a specific use basis rather than on a periodic rental basis. For the years ended June 30, 2017 and 2016 rent expense pertaining to these properties amounted to approximately $4,200,000 and $4,300,000, respectively.

Children's Aid is a defendant with respect to various claims as a result of incidents alleged to have occurred during the normal course of business, in connection with activities sponsored by Children's Aid. Management and legal counsel believe the ultimate resolution of these claims will not have a material impact on the consolidated financial position, changes in net assets and cash flows of Children's Aid.

11. CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits $250,000 by approximately $12,161,000 and $7,865,000, as of June 30, 2017 and 2016, respectively.

12. RELATED-PARTY TRANSACTIONS

Children's Aid has a 25% membership interest in United Charities, a New York not-for-profit organization. Children's Aid rented premises under a lease with United Charities. Certain senior members of management are board members of United Charities. For the year ended June 30, 2016, rent expense totaled $84,774. There was no rent expense for the year ended June 30, 2017. United Charities has submitted an application for dissolution with the New York State Office of the Attorney General.

In August 2014, the Agency along with its fellow United Charities member organizations (Community Services Society and New York Mission Society), sold a building located at 105 East 22nd Street, New York, New York which was the Agency's headquarters, at an agreed-upon price of approximately $128 million. As a result of the sale, Children's Aid received gross proceeds amounting to approximately $31 million. The Agency moved to new headquarters located at 711 Third Avenue, New York, New York, effective August 2015 (See Note 10).

In fiscal year 2012, Children's Aid started the Children's Aid College Prep Charter School ("Charter School"). The Charter School is a related party through certain Board commonality. Children's Aid provides administrative support services and other enrichment programs and services to the students of the Charter School ("wrap-around services") under an agreement between the two entities. The Charter School pays an administrative fee equal to 10.6% of total operating expenses, excluding rent and depreciation to Children's Aid for the administrative services, which amounted to $454,707 and $461,017, respectively, for the years ended June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, the wrap-around services and other changes amounted to $612,158 and $475,084, respectively.

1232 Southern Boulevard, LLC, which is a consolidated entity of Children's Aid, is the borrower of record for tax-exempt bonds issued to finance the development of property for the home of the Charter School and certain other Children's Aid programs. 1232 LLC has also signed a lease with the Charter School. The Charter School did not make a lease payment to Children's Aid during the year ended June 30, 2017 because the school was under construction. The building was put into service on October 9, 2017, and rental payments from the Charter School to 1232 LLC will commence October 12, 2017.

Children's Aid routinely receives contributions from private donors to benefit the Charter School program. These contributions are passed through by Children's Aid to the Charter School. Such funds amounted to $58,000 and $377,947, respectively, for the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, Charter School owed $617,966 and $208,814, respectively to Children's Aid.

13. FAIR VALUE MEASUREMENTS

In determining fair value, Children's Aid utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equity securities (except International Commingled Funds) are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. U.S. Government and corporate bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.).

Investments international commingled funds, alternative investments (certain hedge funds) recorded at fair value in an amount equal to the NAV, as reported by the investment manager, or shares or units held by Children's Aid at year-end. These investments are categorized under Level 2 fair value measurements.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers in or out of Levels 1, 2 or 3.

(in thousands)

Financial assets reported at fair value at June 30, 2017, are classified as Level 1, Level 2 and Level 3 except for those reported at fair value using NAV, which are separately presented, in the table as follows:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and money market funds	$ 10,679	$ -	$ -	$ -	$ 10,679
Equity securities:					
International commingled funds	-	29,267	-	-	29,267
Basic industries	1,342	-	-	-	1,342
Consumer discretionary	4,498	-	-	-	4,498
Consumer staples	3,307	-	-	-	3,307
Energy	2,662	-	-	-	2,662
Financial	51,262	-	-	-	51,262
Health	7,907	-	-	-	7,907
Health Care	853	-	-	-	853
Hospitality	532	-	-	-	532
Industrials	3,832	-	-	-	3,832
Information technology	11,388	-	-	-	11,388
Material	1,577	-	-	-	1,577
Media	547	-	-	-	547
Technology	155	-	-	-	155
Transportation	62	-	-	-	62
Total equity securities	89,924	29,267	-	-	119,191
Fixed income:					
Mutual funds	29,048	-	-	-	29,048
Total fixed income	29,048	-	-	-	29,048
Alternative investments:					
Emerging markets equity	-	-	-	10,545	10,545
Hedge funds	-	7,269	-	19,317	26,586
Limited partnership interests	-	-	-	28,538	28,538
Private capital	-	-	-	88,571	88,571
Total alternate investments	-	7,269	-	146,971	154,240
Total investments, at fair value	$ 129,651	$ 36,536	$ -	$ 146,971	$ 313,158

(in thousands)

Financial assets carried at fair value at June 30, 2016, are classified as Level 1, Level 2 and Level 3 in the table as follows:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and money market funds	$ 6,076	$ -	$ -	$ -	$ 6,076
Equity securities:					
International commingled funds	-	-	-	23,618	23,618
Consumer discretionary/staples	27,106	-	-	-	27,106
Information technology	24,343	-	-	-	24,343
Industrials	21,440	-	-	-	21,440
Energy	6,692	-	-	-	6,692
Financial	15,598	454	-	-	16,052
Other	25,252	207	-	-	25,459
Total equity securities	120,431	661	-	23,618	144,710
Fixed income:					
Treasury bills	8,154	-	-	-	8,154
U.S. Government bonds	-	1,335	-	-	1,335
Corporate bonds	-	15,391	-	-	15,391
Government related	-	65	-	-	65
Mutual funds	50,546	-	-	-	50,546
Total fixed income	58,700	16,791	-	-	75,491
Alternative investments:					
Hedge funds	-	-	-	41,043	41,043
Limited partnership interests	-	-	-	24,034	24,034
Private equity	-	-	40	-	40
Total alternate investments	-	-	40	65,077	65,117
Total investments, at fair value	$ 185,207	$ 17,452	$ 40	$ 88,695	$ 291,394

Children's Aid uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which: (a) do not have readily determinable fair value; and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

(in thousands)

The following table sets forth additional disclosures of the Children's Aid's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017.

	Fair Value	# of Funds	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	$ 88,571	12	$ -	Daily to Annual	1 Year lock to 1 year soft (exp 10/1/18)	2 to 90 days
Limited partnership	28,538	2	-	Quarterly	None	30 to 90 days
Hedge funds	19,317	2	-	Quarterly	5 year lock (exp. 10/1/18)	Redeemed as of 9/30/2017 to 30 days
Emerging Markets Equity	10,545	2	-	Quarterly	None	30 days
Total	$ 146,971	18	$ -			

The following table sets forth additional disclosures of the Children's Aid's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2016.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
International commingled funds	$ 23,618	$ -	Monthly to semi-annual	None	None to 6 days
Limited partnership interests	24,034	-	Quarterly	None	30 to 60 days
Hedge funds	34,733	-	Periodic to annual	None to 3 yrs	None to 90 days
Hedge fund - international	6,310	-	Quarterly	Yes	60 days
Total	$ 88,695	$ -			

During the year ended June 30, 2016, the investment strategy and objective of Children's Aid's investments whose fair value is estimated using NAV per share are as follows:

International Commingled Funds - includes investments in a diversified portfolio of equity securities of companies located in any country other than the United States of America as well as funds that engage in options, swaps and exchange traded funds in U.S. Markets. The funds objective is to utilize markets inefficiencies to realize returns.

Hedge Funds - Hedge funds include investments through a "Master Fund" as well as a global special-situations fund that invests, long and short, across the capital structure. The investment objective of the Master Fund is to provide compound annual long-term returns that are superior to the broad market average while having less risk than the overall stock market.

The global special-situations fund uses hedging and directional investment strategies, as deemed appropriate, to capitalize on relative and absolute value opportunities among reorganized/value equities, distressed debt, private financings, stressed debt, high yield debt and leveraged bank debt. The fund seeks to benefit from higher risk-return opportunities during times of asset class or sector dislocations and in normal times to invest in limited-risk investments.

Hedge Fund - International - Hedge fund – International employs a multi-strategy trading approach which includes hedge, diversification and active equity positions. The fund maintains a wide range of arbitrage positions to further protect against risk and maximize returns in any market condition. The fund seeks out various opportunities for potential revenue creation in order to realize high returns in favorable market conditions while minimizing losses in adverse periods.

14. SPLIT INTEREST AGREEMENTS

Split interest agreements include the following:

Charitable Gift Annuities - Children's Aid administers various charitable gift annuities. Under terms of agreements for such charitable gift annuities, assets are transferred to Children's Aid and are available for unrestricted use. Children's Aid agrees to pay the grantor or other designated beneficiary a stipulated amount over the beneficiary's lifetime. Investment assets for the charitable gift annuities totaled $2,703,000 and $2,685,000 as of June 30, 2017 and 2016, respectively, and are reported at fair value under split-interest agreement investments in the accompanying consolidated statements of financial position. The underlying assets are valued at Level 1 in the fair value hierarchy.

On an annual basis, Children's Aid revalues the annuity payment liability based on actuarial assumptions. The present value of the estimated future payments as of June 30, 2017 and 2016, amounted to $1,823,000 and $101,000, respectively, and have been calculated using discount rates ranging from 0% to 2% for the years ended June 30, 2017 and 2016, and the applicable mortality table. This annuity payment liability has been included in split-interest agreement liabilities in the accompanying consolidated statements of financial position.

Pooled Income Fund - Children's Aid also administers a pooled income fund. The fund is divided into units, and contributions from various donors are pooled. Donors are assigned a specific number of units and receive the actual income earned on those units until death. The portion of the donors' contribution attributable to the present value of the future benefits to be received by Children's Aid is recorded as a temporarily restricted contribution in the period the donor's contribution is made. The assets contributed must be invested in the fund until the donor's death. At that time, the value of the units assigned to the donor will revert to Children's Aid, and those assets will be released from restriction. Pooled income assets included with split interest agreement assets amounted to $300,000 as of June 30, 2017 and 2016, and are reported at fair value. The underlying assets are valued at Level 1 in the fair value hierarchy.

Income earned by the fund and due to the life beneficiary as of June 30, 2017 and 2016, amounted to $38,000 and has been included in split-interest agreement liabilities on the accompanying consolidated statements of financial position. No contributions were made to the pooled income fund during the years ended June 30, 2017 and 2016, respectively.

Charitable Lead Trusts - Children's Aid is a beneficiary of a charitable lead trust. The trust is a Charitable Lead Annuity Trust, from which Children's Aid receives $50,000 annually, which is equal to 5% of initial net fair value of the property placed in this trust as finally determined for federal tax purposes. As of June 30, 2017 and 2016, the beneficial interest in the lead trust of $149,000, is included in split interest agreement assets representing the present value of the future cash flow from the trust, which was calculated using discount rates ranging from 0.28% to 0.69%.

During the year ended June 30, 2017, Children's Aid recorded as adjustment to increase the value of its obligations to annuitants under its charitable gift annuities and pooled income funds totaling

$1,722,423. This amount in part represents a cumulative adjustment pertaining to the prior years to properly state the extent of the obligation payable to beneficiaries. For the years ended June 30, 2017 and 2016, donors made contributions into the annuity fund. Based on the donor's life expectancy and the applicable discount rate, contributions of approximately $28,000 and $10,000 for the years ended June 30, 2017 and 2016, respectively, have been recorded in the accompanying consolidated statements of activities.

15. VOLUNTARY RETIREMENT PLAN AND SUPPLEMENTAL RETIREMENT PLAN

Children's Aid offers a 403(b) retirement plan covering all employees who are not covered by a collective bargaining agreement. All employees can make salary reduction contributions. For full-time employees hired on or after January 1, 2012, Children's Aid makes contributions to the plan. Such contributions amounted to approximately $550,000 and $413,000 for the years ended June 30, 2017 and 2016, respectively.

Children's Aid offers a Supplemental Executive Retirement Plan ("SERP") for the Chief Executive Officer of Children's Aid. There were no accrued benefits under the plan as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, related benefit costs were $18,000 per year.

16. LOAN PAYABLE

During 2011, 910 East 172nd Street LLC (the "LLC"), an affiliate of Children's Aid obtained a *Qualified Low Income Community Investment* loan from Primary Care Development Corporation Empire State Health Opportunities Fund I, LLC ("PCDC"). The loan is secured by building and improvements. Children's Aid is the guarantor for the loan. The loan was obtained in connection with the property obtained and owned by the LLC at 910 East 172nd Street, Bronx, New York. A portion of the property is leased to Children's Aid ("CAS space") and the remaining space is leased to another non-profit ("Tenant space"). The loan was $7 million funded in two tranches - one tranche in the principal amount of up to $5,303,418 in connection with the acquisition, renovation and improvement of CAS space and the other in the principal amount of $1,696,582 in connection with the acquisition, renovation and improvement of the Tenant space. Each tranche was funded in two disbursements. The first disbursement of $2,775,000 was received during 2011 and the final disbursement of $4,225,000 was received in September 2012.

As of June 30, 2017 and 2016, the loan payable to PCDC amounted to $7,000,000, respectively, with a maturity date of March 25, 2036 and interest rate of 5.26%. Interest expense was approximately $368,000 for the years ended June 30, 2017 and 2016, respectively.

For the first eighteen months, loan payments of $12,164 per month are for interest only. After the final disbursement, interest only payments will be $30,684 per month for the next eighty-four (84) months. Payments of principal and interest will begin thereafter, calculated based on the outstanding principal balance at that time. Repayment will be made over one hundred ninety-nine (199) equal installments of principal and interest in the approximate amount of $52,792 per month until maturity date.

Deferred financing costs (net of amortization) of approximately $574,000 and $605,000, as of June 30, 2017 and 2016, respectively, associated with the loan payable are being amortized over the life of the loan. Amortization expense was approximately $30,000 for each of the years ended June 30, 2017 and 2016.

(in thousands)

Children's Aid is required to maintain a debt service reserve with PCDC equal to six months principal and interest, which amounted to approximately $126,000 as of June 30, 2017 and 2016.

Children's Aid is required to maintain a Debt Service Coverage Ratio ("DSCR") for the twelve month period beginning July 1, 2012 and on an annual basis thereafter, of at least 1.20 to 1. As of June 30, 2017 and 2016, Children's Aid is in compliance. In addition, Children's Aid is required to maintain a ratio of (i) total net assets to total assets of not less than 10%, (ii) current assets to current liabilities of not less than 1.1 to 1.0. As of June 30, 2017 and 2016, Children's Aid is in compliance with these ratios. Children's Aid is also required to comply with certain representations, warranties and covenants under the new markets tax credit structure.

17. BOND PAYABLE

On July 1, 2015, 1232 Southern Blvd, LLC issued 30-year tax-exempt bonds through the Build NYC Resource Corporation in the amount of $37,205,000 to finance the planning and construction of the building located at 1232 Southern Blvd., Bronx, New York to house the Children's Aid College Prep Charter School and related Children's Aid programs. Children's Aid is the guarantor of the bonds. The bonds are structured as a bank direct purchase loan.

The bonds have an average coupon rate of approximately 4.8%. Capitalized interest for the life of the project totaled $3,269,000 at June 30, 2017.

The bonds were issued at a premium of approximately $3,492,000. The premium is being amortized over the term of the bond. For the year ended June 30, 2017, amortization amounted to approximately $44,000. Deferred financing costs (net of amortization) of approximately $623,000 and $645,000, respectively, as of June 30, 2017 and 2016, respectively, associated with the loan payable are being amortized over the life of the loan. For the year ended June 30, 2017, amortization expense amounted to approximately $22,000.

The bond indenture requires that proceeds are held in a separate account held by the bond trustee until they are used for construction. Such funds amounted to approximately $22,206,000 as of June 30, 2017.

Future annual principal payments of the bonds are as follows for the years ending after June 30, 2017:

Year ending June 30:	
2018	$ 625
2019	650
2020	675
2021	705
Subsequent to 2021	34,550
	$ 37,205

18. SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the consolidated statements of financial position through December 27, 2017, the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Financial Position
As of June 30, 2017 and 2016
(in thousands)

	As of June 30, 2017							As of June 30, 2016						
	The Children's Aid Society	910 East 172nd Street, LLC	Milbank Housing Development Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total	The Children's Aid Society	910 East 172nd Street, LLC	Milbank Housing Development Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total
ASSETS														
Cash and cash equivalents	$ 8,837	$ 747	$ -	$ 6	$ 3,150	$ -	$ 12,740	$ 7,940	$ 568	$ 1,631	$ 6	$ 3,217	$ -	$ 13,362
Accounts and grants receivable, net	26,245	250	-	-	-	(8,391)	18,104	30,170	308	-	-	-	(9,084)	21,394
Contributions receivable, net	1,537	-	-	-	-	-	1,537	1,623	-	-	-	-	-	1,623
Accrued interest receivable	-	-	-	-	-	-	-	206	-	-	-	-	-	206
Debt service reserve	-	126	-	-	10,031	-	10,157	-	126	-	-	22,206	-	22,332
Prepaid expenses and other assets	1,506	28	-	-	128	-	1,662	1,502	18	-	-	100	-	1,620
Investments	313,158	-	-	-	-	-	313,158	291,394	-	-	-	-	-	291,394
Split-interest agreement investments	3,152	-	-	-	-	-	3,152	3,135	-	-	-	-	-	3,135
Investment in LLC	9,002	-	-	-	-	(9,002)	-	9,002	-	-	-	-	(9,002)	-
Property and equipment, net	8,288	11,433	-	1,737	38,301	-	59,759	9,428	11,841	-	1,737	22,673	-	45,679
Total assets	$ 371,725	$ 12,584	$ -	$ 1,743	$ 51,610	$ (17,393)	$ 420,269	$ 354,400	$ 12,861	$ 1,631	$ 1,743	$ 48,196	$ (18,086)	$ 400,745
LIABILITIES														
Accounts payable	$ 1,916	$ 1,359	$ -	$ 100	$ 8,994	$ (8,391)	$ 3,978	$ 2,224	$ 1,477	$ 2,096	$ 100	$ 5,582	$ (9,084)	$ 2,395
Accrued expenses	11,242	-	-	-	878	-	12,120	8,597	-	-	-	878	-	9,475
Accrued pension and post-retirement liability	61,209	-	-	-	-	-	61,209	52,506	-	-	-	-	-	52,506
Deferred income	2,115	-	-	-	-	-	2,115	2,423	-	-	-	-	-	2,423
Split-interest agreement liabilities	1,861	-	-	-	-	-	1,861	138	-	-	-	-	-	138
Loan payable	-	6,426	-	-	-	-	6,426	-	6,395	-	-	-	-	6,395
Bonds payable	-	-	-	-	39,841	-	39,841	-	-	-	-	39,935	-	39,935
Other liabilities	446	-	-	-	-	-	446	486	-	-	-	-	-	486
Total liabilities	78,789	7,785	-	100	49,713	(8,391)	127,996	66,374	7,872	2,096	100	46,395	(9,084)	113,753
NET ASSETS														
Unrestricted														
Board designated special purpose funds	11,024	-	-	-	-	-	11,024	13,210	-	-	-	-	-	13,210
Other unrestricted net assets	261,285	-	-	-	-	-	261,285	256,337	-	-	-	-	-	256,337
Member capital	-	5,620	-	1,650	1,732	(9,002)	-	-	5,620	-	1,650	1,732	(9,002)	-
Accumulated deficit	-	(821)	-	(7)	165	-	(663)	-	(631)	(465)	(7)	69	-	(1,034)
	272,309	4,799	-	1,643	1,897	(9,002)	271,646	269,547	4,989	(465)	1,643	1,801	(9,002)	268,513
Temporarily restricted	13,816	-	-	-	-	-	13,816	11,918	-	-	-	-	-	11,918
Permanently restricted	6,811	-	-	-	-	-	6,811	6,561	-	-	-	-	-	6,561
Total net assets	292,936	4,799	-	1,643	1,897	(9,002)	292,273	288,026	4,989	(465)	1,643	1,801	(9,002)	286,992
Total liabilities and net assets	$ 371,725	$ 12,584	$ -	$ 1,743	$ 51,610	$ (17,393)	$ 420,269	$ 354,400	$ 12,861	$ 1,631	$ 1,743	$ 48,196	$ (18,086)	$ 400,745

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Activities
For the year ended June 30, 2017
(in thousands)

	The Children's Aid Society				910 East 172nd Street, LLC	Milbank Housing Development Fund Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC		Consolidated Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total	Total	Total	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT													
Government support	$ 80,415	$ -	$ -	$ 80,415	$ -	$ -	$ -	$ -	$ -	$ 80,415	$ -	$ -	$ 80,415
Program services fees and dues	4,227	-	-	4,227	-	-	-	-	-	4,227	-	-	4,227
Contributions	8,455	7,939	250	16,644	-	-	-	-	-	8,455	7,939	250	16,644
Bequests	1,532	-	-	1,532	-	-	-	-	-	1,532	-	-	1,532
Estates and trusts	512	-	-	512	-	-	-	-	-	512	-	-	512
Rental income	-	-	-	-	1,111	-	-	-	(478)	633	-	-	633
Investment return used for operations and special initiatives	16,288	-	-	16,288	-	-	-	-	-	16,288	-	-	16,288
Other revenue	-	-	-	-	-	-	-	119	-	119	-	-	119
In-kind donations	1,993	-	-	1,993	-	-	-	-	-	1,993	-	-	1,993
Net assets released from board designated special purpose funds	4,157	-	-	4,157	-	-	-	-	-	4,157	-	-	4,157
Net assets released from restrictions for operations	6,041	(6,041)	-	-	-	-	-	-	-	6,041	(6,041)	-	-
Total operating revenue and support	123,620	1,898	250	125,768	1,111	-	-	119	(478)	124,372	1,898	250	126,520
OPERATING EXPENSES													
Program Services													
Early Childhood	17,955	-	-	17,955	-	-	-	-	-	17,955	-	-	17,955
School Age	20,332	-	-	20,332	-	-	-	-	-	20,332	-	-	20,332
Adolescent and Carrera Pregnancy Prevention Program	10,416	-	-	10,416	-	-	-	-	-	10,416	-	-	10,416
Health and Wellness	15,736	-	-	15,736	527	-	-	-	(194)	16,069	-	-	16,069
Child Welfare and Family Services	38,657	-	-	38,657	774	-	-	-	(284)	39,147	-	-	39,147
National Center for Community Schools	1,424	-	-	1,424	-	-	-	-	-	1,424	-	-	1,424
Total program services	104,520	-	-	104,520	1,301	-	-	-	(478)	105,343	-	-	105,343
Supporting Services													
Management and general	21,542	-	-	21,542	-	-	-	23	-	21,565	-	-	21,565
Fundraising	3,163	-	-	3,163	-	-	-	-	-	3,163	-	-	3,163
Total supporting services	24,705	-	-	24,705	-	-	-	23	-	24,728	-	-	24,728
Total operating expenses	129,225	-	-	129,225	1,301	-	-	23	(478)	130,071	-	-	130,071
Change in net assets from operations	(5,605)	1,898	250	(3,457)	(190)	-	-	96	-	(5,699)	1,898	250	(3,551)
NON-OPERATING ACTIVITIES													
Net assets released from board designated special purpose funds	(4,157)	-	-	(4,157)	-	-	-	-	-	(4,157)	-	-	(4,157)
Investment return in excess (deficit) of amount used for operations	20,605	-	-	20,605	-	-	-	-	-	20,605	-	-	20,605
Gain (loss) on Investment in related party	(465)	-	-	(465)	-	465	-	-	-	-	-	-	-
Adjustment to obligation under split-interest agreements	(1,722)	-	-	(1,722)	-	-	-	-	-	(1,722)	-	-	(1,722)
Pension related changes other than net periodic pension costs	(5,894)	-	-	(5,894)	-	-	-	-	-	(5,894)	-	-	(5,894)
Change in net assets from nonoperating activities	8,367	-	-	8,367	-	465	-	-	-	8,832	-	-	8,832
Change in total net assets	2,762	1,898	250	4,910	(190)	465	-	96	-	3,133	1,898	250	5,281
Net assets - beginning of year	269,547	11,918	6,561	288,026	4,989	(465)	1,643	1,801	(9,002)	268,513	11,918	6,561	286,992
Net assets - end of year	$ 272,309	$ 13,816	$ 6,811	$ 292,936	$ 4,799	$ -	$ 1,643	$ 1,897	$ (9,002)	$ 271,646	$ 13,816	$ 6,811	$ 292,273

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Activities
For the year ended June 30, 2016
(in thousands)

	The Children's Aid Society				910 East 172nd Street, LLC	Milbank Housing Development Fund Corporation	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC		Consolidated Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total	Total	Total	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT													
Government support	$ 80,315	$ -	$ -	$ 80,315	$ -	$ -	$ -	$ -	$ -	$ 80,315	$ -	$ -	$ 80,315
Program services fees and dues	5,648	-	-	5,648	-	-	-	-	-	5,648	-	-	5,648
Contributions	3,539	12,805	750	17,094	-	-	-	-	-	3,539	12,805	750	17,094
Bequests	1,535	-	-	1,535	-	-	-	-	-	1,535	-	-	1,535
Estates and trusts	742	-	-	742	-	-	-	-	-	742	-	-	742
Rental income	-	-	-	-	1,257	-	-	-	(478)	779	-	-	779
Investment return used for operations and special initiatives	17,407	-	-	17,407	-	-	-	-	-	17,407	-	-	17,407
Gain on sale of property	19,753	-	-	19,753	-	18	-	-	-	19,771	-	-	19,771
Other revenue	-	-	-	-	-	-	-	120	-	120	-	-	120
Net assets released from restrictions for operations	7,245	(7,245)	-	-	-	-	-	-	-	7,245	(7,245)	-	-
Total operating revenue and support	136,184	5,560	750	142,494	1,257	18	-	120	(478)	137,101	5,560	750	143,411
OPERATING EXPENSES													
Program Services													
Early Childhood	16,223	-	-	16,223	-	-	-	-	-	16,223	-	-	16,223
School Age	21,117	-	-	21,117	-	-	-	-	-	21,117	-	-	21,117
Adolescent and Carrera Pregnancy Prevention Program	12,891	-	-	12,891	-	-	-	-	-	12,891	-	-	12,891
Health and Wellness	15,289	-	-	15,289	587	-	-	-	(194)	15,682	-	-	15,682
Child Welfare and Family Services	39,675	-	-	39,675	863	-	-	-	(284)	40,254	-	-	40,254
National Center for Community Schools	1,384	-	-	1,384	-	-	-	-	-	1,384	-	-	1,384
Total program services	106,579	-	-	106,579	1,450	-	-	-	(478)	107,551	-	-	107,551
Supporting Services													
Management and general	18,744	-	-	18,744	-	95	-	20	-	18,859	-	-	18,859
Fundraising	3,200	-	-	3,200	-	-	-	-	-	3,200	-	-	3,200
Total supporting services	21,944	-	-	21,944	-	95	-	20	-	22,059	-	-	22,059
Total operating expenses	128,523	-	-	128,523	1,450	95	-	20	(478)	129,610	-	-	129,610
Change in net assets from operations	7,661	5,560	750	13,971	(193)	(77)	-	100	-	7,491	5,560	750	13,801
NON-OPERATING ACTIVITIES													
Investment return in excess (deficit) of amount used for operations	(26,028)	(181)	-	(26,209)	-	-	-	-	-	(26,028)	(181)	-	(26,209)
Pension related changes other than net periodic pension costs	(10,821)	-	-	(10,821)	-	-	-	-	-	(10,821)	-	-	(10,821)
Change in net assets from nonoperating activities	(36,849)	(181)	-	(37,030)	-	-	-	-	-	(36,849)	(181)	-	(37,030)
Change in total net assets	(29,188)	5,379	750	(23,059)	(193)	(77)	-	100	-	(29,358)	5,379	750	(23,229)
Net assets - beginning of year	298,735	6,539	5,811	311,085	5,182	(388)	1,643	1,701	(9,002)	297,871	6,539	5,811	310,221
Net assets - end of year	$ 269,547	$ 11,918	$ 6,561	$ 288,026	$ 4,989	$ (465)	$ 1,643	$ 1,801	$ (9,002)	$ 268,513	$ 11,918	$ 6,561	$ 286,992

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto and report of independent certified public accountants.