

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

THE CHILDREN'S AID SOCIETY

June 30, 2019 and 2018

THE CHILDREN'S AID SOCIETY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
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 statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 entity'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 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 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 financial position of The Children's Aid Society as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits 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 years ended June 30, 2019 and 2018, as a whole. The accompanying supplementary information on pages 38 through 40 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 audits 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.



New York, New York
December 19, 2019

THE CHILDREN'S AID SOCIETY
Consolidated Statements of Financial Position
As of June 30, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (Notes 2 and 12)	\$ 7,113	\$ 13,421
Accounts and grants receivable, net (Notes 2 and 4)	29,738	26,140
Contributions receivable (Notes 2 and 4)	1,563	1,460
Debt service reserve (Notes 17 and 18)	126	219
Facilities acquisition escrow	9,050	4,525
Prepaid expenses and other assets	2,631	2,036
Investments (Notes 2, 6, and 14)	289,070	305,634
Split-interest agreement investments (Note 15)	3,918	4,007
Property and equipment, net (Notes 2 and 7)	<u>69,187</u>	<u>67,004</u>
Total assets	<u>\$ 412,396</u>	<u>\$ 424,446</u>
LIABILITIES		
Accounts payable	\$ 3,575	\$ 2,084
Accrued expenses	10,345	10,451
Deferred revenue	2,661	2,948
Split-interest obligations (Note 15)	2,608	2,803
Loan payable, net (Note 17)	6,487	6,456
Bonds payable, net (Note 18)	38,378	39,122
Accrued pension and post-retirement obligations, net (Note 10)	52,869	52,519
Other liabilities	<u>3,178</u>	<u>2,175</u>
Total liabilities	<u>120,101</u>	<u>118,558</u>
NET ASSETS (Note 2)		
Without donor restrictions	269,409	281,510
With donor restrictions (Note 8)	<u>22,886</u>	<u>24,378</u>
Total net assets	<u>292,295</u>	<u>305,888</u>
Total liabilities and net assets	<u>\$ 412,396</u>	<u>\$ 424,446</u>

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, 2019 and 2018
(in thousands)

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
OPERATING REVENUE AND SUPPORT						
Government support (Note 2)	\$ 85,595	\$ -	\$ 85,595	\$ 86,567	\$ -	\$ 86,567
Program services fees and dues	2,765	(1)	2,764	3,544	-	3,544
Contributions (Note 2)	6,929	8,338	15,267	9,204	10,958	20,162
Bequests (Note 2)	2,298	47	2,345	2,659	-	2,659
Estates and trusts	230	-	230	260	-	260
Rental income	1,759	-	1,759	1,168	-	1,168
Investment return used for operations and special initiatives (Note 6)	9,444	-	9,444	19,190	-	19,190
Funds used in operations in excess of investment earnings	4,283	-	4,283	-	-	-
Other revenue	2,638	-	2,638	2,319	569	2,888
In-kind contributions	2,369	-	2,369	2,482	-	2,482
Net assets released (transferred) from board-designated special purpose funds	-	-	-	(1,102)	-	(1,102)
Net assets released from the real-estate net asset fund	1,726	-	1,726	2,296	-	2,296
Net assets released from restrictions for programs (Notes 2 and 9)	9,876	(9,876)	-	7,776	(7,776)	-
Total operating revenue and support	129,912	(1,492)	128,420	136,363	3,751	140,114
OPERATING EXPENSES (Note 2)						
Program Services						
Early Childhood	16,861	-	16,861	17,514	-	17,514
School Age	26,822	-	26,822	24,922	-	24,922
Adolescent and Carrera Pregnancy Prevention Program	8,565	-	8,565	8,380	-	8,380
Health and Wellness	17,188	-	17,188	16,764	-	16,764
Child Welfare and Family Services	44,996	-	44,996	42,081	-	42,081
National Center for Community Schools	1,056	-	1,056	1,359	-	1,359
Total program services	115,488	-	115,488	111,020	-	111,020
Supporting Services						
Management and general	19,892	-	19,892	21,960	-	21,960
Fundraising	3,968	-	3,968	3,308	-	3,308
Total supporting services	23,860	-	23,860	25,268	-	25,268
Total operating expenses	139,348	-	139,348	136,288	-	136,288
Changes in net assets from operations	(9,436)	(1,492)	(10,928)	75	3,751	3,826
NON-OPERATING ACTIVITIES (Note 2)						
Net asset released (transferred) from board-designated special purpose fund	-	-	-	1,102	-	1,102
Net asset released from real-estate net asset fund	(1,726)	-	(1,726)	(2,296)	-	(2,296)
Investment return in excess of amount used for operations (Note 5)	(4,283)	-	(4,283)	527	-	527
Adjustment to obligation under split-interest agreements	(434)	-	(434)	(942)	-	(942)
Pension related changes other than net periodic pension costs (Note 10)	3,778	-	3,778	11,398	-	11,398
Changes in net assets from non-operating activities	(2,665)	-	(2,665)	9,789	-	9,789
Changes in net assets	(12,101)	(1,492)	(13,593)	9,864	3,751	13,615
Net assets - beginning of year	281,510	24,378	305,888	271,646	20,627	292,273
Net assets - end of year	\$ 269,409	\$ 22,886	\$ 292,295	\$ 281,510	\$ 24,378	\$ 305,888

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, 2019 and 2018
(in thousands)

	Program Services Expenses												Total	
	Early Childhood		School Age		Adolescent and Carrera Pregnancy Prevention Program		Health and Wellness		Child Welfare and Family Services		National Center for Community Schools			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Salaries	\$ 10,236	\$ 10,484	\$ 14,274	\$ 13,470	\$ 5,073	\$ 4,996	\$ 9,222	\$ 8,697	\$ 19,556	\$ 17,486	\$ 546	\$ 707	\$ 58,907	\$ 55,840
Employee health and retirement benefits	3,034	3,604	1,710	2,128	913	1,193	2,110	2,423	4,802	4,823	132	211	12,701	14,382
Payroll taxes	1,106	883	787	1,133	419	421	964	732	2,189	1,472	60	60	5,525	4,701
Total salaries and related expenses	14,376	14,971	16,771	16,731	6,405	6,610	12,296	11,852	26,547	23,781	738	978	77,133	74,923
Professional fees	78	87	432	449	518	504	830	927	1,641	1,546	60	88	3,559	3,601
Supplies	505	481	692	626	163	145	758	970	300	356	21	15	2,439	2,593
Telephone and communication	42	41	232	161	52	59	123	128	427	412	14	13	890	814
Postage and shipping	-	3	4	9	3	3	10	10	52	39	1	2	70	66
Occupancy	767	784	2,391	1,145	419	109	729	423	2,471	2,447	75	73	6,852	4,981
Outside printing and promotion	8	7	10	4	(2)	6	32	37	24	50	8	43	80	147
Local travel and related expenses	13	8	264	275	77	68	181	203	633	610	29	36	1,197	1,200
Training, conferences, conventions and partnership grants	121	145	225	301	67	88	56	39	112	95	17	12	598	680
Special events	-	-	11	11	-	-	-	-	15	-	-	-	26	11
Specific assistance for individuals	24	52	653	644	506	440	86	111	856	882	-	-	2,125	2,129
Foster Boarding Home	3	4	-	-	-	-	162	237	9,934	10,324	-	-	10,099	10,565
Repairs	3	16	26	25	7	4	92	130	14	1	4	7	146	183
Insurance	257	170	238	219	87	81	247	258	353	291	6	11	1,188	1,030
Membership dues	2	2	113	164	2	2	72	95	28	21	-	-	217	284
Food	262	329	421	418	118	98	90	86	112	98	77	67	1,080	1,096
Information technology	51	60	106	115	62	83	329	215	407	240	6	14	961	727
Depreciation and amortization	32	38	1,423	840	5	6	175	283	744	538	-	-	2,379	1,705
Interest	-	-	1,498	1,346	-	-	147	161	221	237	-	-	1,866	1,744
Miscellaneous	7	6	62	5	2	2	212	13	55	64	-	-	338	90
In-kind donations	310	310	1,250	1,434	74	72	561	586	50	49	-	-	2,245	2,451
Total expenses	\$ 16,861	\$ 17,514	\$ 26,822	\$ 24,922	\$ 8,565	\$ 8,380	\$ 17,188	\$ 16,764	\$ 44,996	\$ 42,081	\$ 1,056	\$ 1,359	\$ 115,488	\$ 111,020

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, 2019 and 2018
(in thousands)

	Management and General		Fundraising		Total Supporting Services		Total Program and Supporting Services	
	2019	2018	2019	2018	2019	2018	2019	2018
Salaries	\$ 9,952	\$ 10,151	\$ 1,885	\$ 1,682	\$ 11,837	\$ 11,833	\$ 70,744	\$ 67,673
Employee health and retirement benefits	2,459	3,148	469	501	2,928	3,649	15,629	18,031
Payroll taxes	<u>1,138</u>	<u>832</u>	<u>216</u>	<u>141</u>	<u>1,354</u>	<u>973</u>	<u>6,879</u>	<u>5,674</u>
Total salaries and related expenses	13,549	14,131	2,570	2,324	16,119	16,455	93,252	91,378
Professional fees	1,942	1,968	376	163	2,318	2,131	5,877	5,732
Supplies	132	127	20	22	152	149	2,591	2,742
Telephone and communication	122	133	11	10	133	143	1,023	957
Postage and shipping	19	15	12	17	31	32	101	98
Occupancy	1,288	2,640	265	61	1,553	2,701	8,405	7,682
Outside printing and promotion	231	200	48	90	279	290	359	437
Local travel and related expenses	56	123	5	7	61	130	1,258	1,330
Training, conferences, conventions and partnership grants	315	125	8	6	323	131	921	811
Special events	6	8	457	411	463	419	489	430
Specific assistance to or for individuals	54	39	-	-	54	39	2,179	2,168
Foster Boarding Home	1	1	-	-	1	1	10,100	10,566
Repairs	15	34	-	-	15	34	161	217
Insurance	132	162	24	28	156	190	1,344	1,220
Membership dues	23	39	-	-	23	39	240	323
Food	40	66	14	21	54	87	1,134	1,183
Information technology	740	781	155	106	895	887	1,856	1,614
Depreciation and amortization	974	1,321	-	2	974	1,323	3,353	3,028
Interest expense	-	-	-	-	-	-	1,866	1,744
Miscellaneous	129	19	3	40	132	59	470	149
In-kind donations	<u>124</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>124</u>	<u>28</u>	<u>2,369</u>	<u>2,479</u>
Total expenses	<u>\$ 19,892</u>	<u>\$ 21,960</u>	<u>\$ 3,968</u>	<u>\$ 3,308</u>	<u>\$ 23,860</u>	<u>\$ 25,268</u>	<u>\$ 139,348</u>	<u>\$ 136,288</u>

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, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (13,593)	\$ 13,615
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	3,353	3,028
Amortization of deferred financing costs	53	53
Adjustment to obligation under split-interest agreements	434	942
Amortization of bond premium	(116)	(117)
Realized and unrealized gain on investments	<u>(8,582)</u>	<u>(19,717)</u>
Subtotal	(18,451)	(2,196)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(3,598)	(8,036)
Contributions receivable	(103)	77
Facilities acquisition escrow	(4,525)	(4,525)
Prepaid expenses and other assets	(595)	(374)
(Decrease) increase in:		
Accounts payable	1,491	(1,894)
Accrued expenses	(106)	377
Accrued pension and post-retirement obligation	350	(8,690)
Deferred revenue	(287)	833
Split-interest obligations	(541)	-
Other liabilities	<u>1,003</u>	<u>(317)</u>
Net cash used in operating activities	<u>(25,362)</u>	<u>(24,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,537)	(10,273)
Purchases of investments	(221,885)	(229,874)
Proceeds from sale/maturity of investments	<u>247,033</u>	<u>256,260</u>
Net cash provided by investing activities	<u>19,611</u>	<u>16,113</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	(650)	(625)
Debt service reserve	<u>93</u>	<u>9,938</u>
Net cash (used in) provided by financing activities	<u>(557)</u>	<u>9,313</u>
Net (decrease) increase in cash and cash equivalents	(6,308)	681
Cash and cash equivalents, beginning of year	<u>13,421</u>	<u>12,740</u>
Cash and cash equivalents, end of year	<u>\$ 7,113</u>	<u>\$ 13,421</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,092</u>	<u>\$ 2,124</u>

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

THE CHILDREN'S AID SOCIETY
Notes to Consolidated Financial Statements
June 30, 2019 and 2018
(in thousands)

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 (the "Code"). 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 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 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.

THE CHILDREN'S AID SOCIETY
Notes to Consolidated Financial Statements
June 30, 2019 and 2018
(in thousands)

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 and 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 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 of accounting 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.

THE CHILDREN’S AID SOCIETY
Notes to Consolidated Financial Statements
June 30, 2019 and 2018
(in thousands)

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”), which amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed-in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the consolidated financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

A summary of the net asset reclassification resulting from the adoption of ASU 2016-14 as of June 30, 2018 is presented below:

	As of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, as previously presented, pre-adoption of ASU 2016-14			
Unrestricted	\$ 281,510	\$ -	\$ 281,510
Temporarily restricted	-	17,567	17,567
Permanently restricted	-	6,811	6,811
Net Assets, as presented under ASU 2016-14	\$ 281,510	\$ 24,378	\$ 305,888

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 classes of net assets (net assets without donor restrictions and net assets with donor restrictions) 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 CHILDREN'S AID SOCIETY
Notes to Consolidated Financial Statements
June 30, 2019 and 2018
(in thousands)

The classes of net assets are defined as follows:

Net Assets without Donor Restrictions

Represent net assets which are not restricted by donors. Net assets without donor restrictions represent net assets that are not 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. Net assets without donor restrictions include amounts designated by the Board for specific purposes and net assets for operations. In addition, Children's Aid maintains a balance of reserves that 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 with the proceeds from sales of various real estate from prior periods.

Net Assets with Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Agency's net assets with donor restrictions are subject to donor-imposed restrictions that require the Agency to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions.

Earnings on endowment assets are classified as net assets with donor restrictions 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 net assets are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions.

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 consolidated 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. Included in contributions revenue is \$2,021 and \$2,097 of special events revenue as of June 30, 2019 and June 30, 2018, respectively.

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

THE CHILDREN'S AID SOCIETY
Notes to Consolidated Financial Statements
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are significant changes in economic conditions. As of June 30, 2019 and 2018, the Agency determined that an allowance of approximately \$633 and \$545 for each respective 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 collection 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 changes in net assets without donor restrictions for the gains and losses that are unrestricted, and in changes in net assets with donor restrictions for the gains and losses that are restricted for the support of certain of Children's Aid programs, as specified by donors. Alternative investments in limited partnerships and private equity and similar investments are stated at fair value as estimated by the respective general partner or manager as of the reporting date in an unquoted market. Alternative investments are stated at a net asset value ("NAV") per ownership interest, 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 14.

Property and Equipment

The Agency capitalizes expenditures for buildings and building improvements, furniture and equipment having a cost of \$5 or more and with useful lives greater than five years. Depreciation is recognized using the straightline method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged over 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.

The range of estimated useful lives follows:

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

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Impairment of Long-Lived Assets to be Disposed of

Accounting Standards Codification ("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. 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 consolidated 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 consolidated statements of financial position. There were no impairment charges for the years ended June 30, 2018 and 2017.

Facilities acquisition escrow

On February 13, 2019, Children's Aid entered into a contract to purchase four floors of a building under construction at 114 West 124th Street to use as a new headquarters. The property acquisition price is \$45,252 and the initial down payment of \$10,000 is reflected in the 2019 consolidated statement of financial position.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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 net assets without donor restrictions. 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 net assets with donor restrictions.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restrictions 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 net assets with donor restrictions category; the restrictions are considered to be satisfied at the time of acquisition of such long-lived assets and placed in service. Bequests are recognized when the Agency receives notification that the probate court has declared the will valid and the amounts to be received are estimable.

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

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such amounts into net assets without donor restrictions as related grant expenses are incurred to a maximum of the grant award.

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 principally on time and effort reporting of the personnel involved in such functions.

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 and capital gifts that have been restricted by donors in perpetuity. 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 amounts in the June 30, 2018 consolidated financial statements, as previously presented, have been reclassified to conform to the June 30, 2019 presentation. Such changes had no impact on the change in net assets for the year ended June 30, 2018.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a standard on *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Agency adopted this standard during the year ended June 30, 2019 and it did not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will require lessees to reflect virtually all leases on their statement of financial position. Under the FASB's dual approach, determining whether a lease is finance or operating lease will be based on guidance similar to the classification model under current US GAAP, but without the bright lines. The FASB's standard is effective for public companies, certain not-for-profits, and benefit plans for interim and annual reporting periods beginning after December 15, 2018 (private companies have an additional year). Entities are required to adopt the standard

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using a modified retrospective transition approach, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. Early adoption is permitted. The Agency is evaluating the impact this standard will have on its consolidated financial statements.

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 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 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 its consolidated financial statements for the years ended June 30, 2019 and 2018.

3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Agency regularly monitors liquidity to meet its operating needs and other contractual commitments as they come due, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents, and receivables.

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Financial assets available for general expenditure, that is, without donor or contractual restrictions limiting their use, within one year of the date of the consolidated statement of financial position, are comprised of the following as of June 30, 2019.

	<u>2019</u>
Cash and cash equivalents	\$ 7,113
Accounts and grants receivables, net	29,738
Contributions receivable, net	1,563
Investments	<u>289,070</u>
Total financial assets available within one year	<u>327,484</u>
Less:	
Contractual, legal or donor-imposed restrictions:	
Restricted by donors with time or purpose	16,075
Restricted by donors in perpetuity	6,811
Designated by the Board of Trustees for specific purposes	<u>18,196</u>
Total amounts unavailable for general expenditures within one year	<u>41,082</u>
Total amounts available for general expenditures within one year	<u>\$ 286,402</u>

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

4. ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable, net, consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Due from the City of New York	\$ 22,470	\$ 17,197
Due from the State of New York	4,624	4,935
Due from Federal government	1,139	990
Due from other sources	<u>2,138</u>	<u>3,563</u>
	30,371	26,685
Less: Allowance for uncollectible amounts	<u>(633)</u>	<u>(545)</u>
	<u>\$ 29,738</u>	<u>\$ 26,140</u>

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5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Bequests receivable	\$ 80	\$ 82
Pledges receivable	<u>1,483</u>	<u>1,378</u>
Total	<u>\$ 1,563</u>	<u>\$ 1,460</u>

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

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 1,000	\$ 1,129
One to two years	<u>483</u>	<u>250</u>
Total	<u>\$ 1,483</u>	<u>\$ 1,379</u>

Children's Aid quantified and recognized the fair value of the contributed space it receives for its programmatic purposes to total approximately \$1,030 and \$1,276 for the years ended June 30, 2019 and June 30, 2018, respectively, and recognized it as a component of both contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its consolidated statements of activities and functional expenses.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Children's Aid has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. Children's Aid share of such bequests is recorded when Children's Aid has an irrevocable right to the bequest and the proceeds are measurable.

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6. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 3,788	\$ 6,380
Equities and commingled funds	181,396	165,731
Mutual funds	34,795	39,128
Alternative investments:		
Private capital	12,016	17,513
Hedge funds	44,702	57,644
Limited partnership interests	7,881	7,636
Emerging markets	<u>4,492</u>	<u>11,602</u>
Total	<u>\$ 289,070</u>	<u>\$ 305,634</u>

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. Emerging markets consists of an absolute return strategy investing in emerging and frontier market equities.

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.

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Investment activity (net of fees) consists of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Realized gain	\$ 4,136	\$ 8,723
Unrealized gain	4,446	9,907
Interest and dividends (net of investment fees)	<u>862</u>	<u>1,087</u>
Total	<u>\$ 9,444</u>	<u>\$ 19,717</u>
Amounts used in support of operations:		
Amounts appropriated from the endowment used in operations	\$ 1,186	\$ 2,553
Additional fiscal 2019 investment returns used in operations	8,258	17,164
Accumulated gains used in operations	4,283	-
Other investment related activities, net of amounts used in operations	<u>-</u>	<u>(527)</u>
Total	<u>\$ 13,727</u>	<u>\$ 19,190</u>

Investment fees amounted to approximately \$2,450 and \$3,720 for the years ended June 30, 2019 and 2018, respectively.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,782	\$ 5,782
Buildings and improvements	70,736	70,143
Furniture and equipment	11,311	11,161
Leasehold improvements	7,295	6,820
Construction in progress	<u>5,056</u>	<u>752</u>
Total cost	100,180	94,658
Less: Accumulated depreciation and amortization	<u>(30,993)</u>	<u>(27,654)</u>
Net book value	<u>\$ 69,187</u>	<u>\$ 67,004</u>

Depreciation amounted to \$3,339 and \$3,028 for the years ended June 30, 2019 and 2018, respectively.

Construction in progress relates primarily to 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

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Aid programs. The new construction of the Children’s Aid headquarters as of June 30, 2019 totaling \$5,056 includes pool renovations, leased office improvements, and facility renovation.

8. ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted endowment funds and board-designated special purpose funds established for similar purposes. 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 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 to be without donor restrictions are reflected as net assets with donor restrictions 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. Endowment investments consist of a broad range of 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, 2019 and 2018, 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 NYPMIFA, and provides guidance for the use of the organization’s unrestricted reserves and permanent endowments. For the years ended June 30, 2019 and 2018, the primary distribution for current spending was 5.25% and 5.5%, respectively, of the average fair value of the endowment and reserve funds on the last business day of each of the prior 20 calendar quarters. The amount from the endowment investments for operations is \$13,727.

Endowment funds are classified as follows:

	<u>2019</u>	<u>2018</u>
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	<u>4,070</u>	<u>4,070</u>
	<u>\$ 6,811</u>	<u>\$ 6,811</u>

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Changes in endowment investments for year ended June 30, 2019 follow:

	<u>Without Donor Restrictions</u>	<u>Accumulated Gains</u>	<u>Original Gift</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ 9,762	\$ 12,864	\$ 6,811	\$ 29,437
Activity:				
Additions/contributions	811	-	-	811
Investment income	-	8,385	-	8,385
Net gains (realized and unrealized)	-	191	-	191
Appropriated for operations	<u>(1,049)</u>	<u>(137)</u>	<u>-</u>	<u>(1,186)</u>
Total activity	<u>(238)</u>	<u>8,439</u>	<u>-</u>	<u>8,201</u>
Endowment net assets, June 30, 2019	<u>\$ 9,524</u>	<u>\$ 21,303</u>	<u>\$ 6,811</u>	<u>\$ 37,638</u>

Changes in endowment investments for year ended June 30, 2018 follow:

	<u>Without Donor Restrictions</u>	<u>Accumulated Gains</u>	<u>Original Gifts Perpetuity</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 11,024	\$ 1,084	\$ 6,811	\$ 18,919
Activity:				
Additions/contributions	1,154	-	-	1,154
Investment income	-	11,512	-	11,512
Net gains (realized and unrealized)	-	405	-	405
Appropriated for operations	<u>(2,416)</u>	<u>(137)</u>	<u>-</u>	<u>(2,553)</u>
Total activity	<u>(1,262)</u>	<u>11,780</u>	<u>-</u>	<u>10,518</u>
Endowment net assets, June 30, 2018	<u>\$ 9,762</u>	<u>\$ 12,864</u>	<u>\$ 6,811</u>	<u>\$ 29,437</u>

Children's Aid's policy is that endowment earnings will be appropriated for expenditure in accordance with donor stipulations. In the absence of donor stipulations, endowment earnings are classified as net assets with donor restrictions until appropriated for expenditure by the Board of Trustees. As of June 30, 2019 and 2018, all earnings without donor stipulations were appropriated by the Board of Trustees, and are classified as net assets without donor restrictions. For the years ended June 30, 2019 and 2018, endowment earnings with donor stipulations amounted to \$191 and \$405, respectively, and are classified under net assets with donor restrictions.

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

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fund fell below the amount that is required to be retained permanently. As of June 30, 2019 and 2018, Children's Aid had no individual funds that had fair values below their original corpus values.

Endowment net assets amounting to approximately \$6,811 are included with investments on the consolidated statements of financial position as of June 30, 2019 and 2018, respectively.

9. NET ASSETS

Net assets with donor restrictions related to time and purpose consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time restricted/other	\$ 1,050	\$ 1,130
Adolescence Programs	8,446	8,109
Child Welfare and Family Services Programs	1,669	2,479
Early Childhood Programs	1,541	1,823
Health and Wellness Programs	1,033	2,087
National Center for Community Schools	116	158
School Age Programs	2,220	1,781
Donor restricted endowment	<u>6,811</u>	<u>6,811</u>
Total	<u>\$ 22,886</u>	<u>\$ 24,378</u>

Net assets of \$9,856 and \$7,776 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2019 and 2018, respectively. There is a real estate reserve designated by the Board to support real estate activities including rent and capital construction project costs.

10. 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 to the plan that meet the requirements of minimum funding and maximum contribution limitations.

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 post-retirement 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 post-retirement plan employees who are hired after July 1, 2010.

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The funded status of the Plans at June 30, 2019 and 2018 is as follows:

	2019		2018	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 109,650	\$ 11,362	\$ 109,771	\$ 12,023
Interest cost	4,304	471	4,225	465
Service cost	977	358	2,823	431
Actuarial loss (gain)	7,570	591	(4,114)	(1,346)
Benefits paid	(3,229)	(304)	(3,055)	(211)
Effect of curtailment	(11,197)	-	-	-
Benefit obligation at end of year	<u>108,075</u>	<u>12,478</u>	<u>109,650</u>	<u>11,362</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	68,493	-	63,432	-
Actual return on plan assets	2,420	-	2,979	-
Employer contributions	-	-	5,137	-
Benefits paid	(3,229)	-	(3,055)	-
Fair value of plan assets at end of year	<u>67,684</u>	<u>-</u>	<u>68,493</u>	<u>-</u>
Unfunded status	<u>\$ 40,391</u>	<u>\$ 12,478</u>	<u>\$ 41,157</u>	<u>\$ 11,362</u>

Amounts recognized in net assets without donor restrictions for the Plans consist of the following as of June 30, 2019 and 2018:

	2019		2018	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Net actuarial loss (gain)	\$ 34,841	\$ (5,405)	\$ 39,842	\$ (4,679)
Prior service credit	(696)	937	(112)	(726)
Transition asset	-	-	(870)	-
	<u>\$ 34,145</u>	<u>\$ (4,468)</u>	<u>\$ 38,860</u>	<u>\$ (5,405)</u>

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The components of net periodic benefit cost for the Plans for the years ended June 30, 2019 and 2018, are as follows:

	2019		2018	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Interest cost	\$ 4,304	\$ 471	\$ 4,225	\$ 465
Service cost	977	358	2,823	431
Expected return on plan assets	(4,044)	-	(4,011)	-
Amortization of net loss (gain)	2,999	(264)	4,601	(197)
Amortization of prior service cost	(12)	(82)	(25)	(82)
Amortization of net transition asset	(174)	-	(174)	-
Effect of curtailment	(100)	-	-	-
	<u>\$ 3,950</u>	<u>\$ 483</u>	<u>\$ 7,439</u>	<u>\$ 617</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended June 30, 2019 and 2018, are as follows:

	2019		2018	
	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Net loss (gain)	\$ 6,195	\$ 855	\$ (7,683)	\$ (3,996)
Amortization of prior service cost	174	82	174	82
Amortization of transition asset	113	-	25	-
Effect of curtailment	(11,197)	-	-	-
Total recognized in change in net assets without donor restrictions	<u>\$ (4,715)</u>	<u>\$ 937</u>	<u>\$ (7,484)</u>	<u>\$ (3,914)</u>

For the year ended June 30, 2019, Children's Aid was not required to make any contributions of into the defined-benefit pension plan.

The weighted average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Discount rate	3.57 %	4.20 %
Expected return on plan assets	6.30 %	6.50 %
Salary increase	2.50 %	2.50 %

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The weighted average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	3.60 %	4.22 %
Expected return on plan assets	3.00 %	N/A
Salary increase	3.00 %	3.00 %

The assumed health care cost trend rate at June 30, 2019 is 3.84%. Increasing the assumed medical care cost trend rates by 1% would increase the accumulated postretirement benefit obligation by \$2,103 as of June 30, 2019, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2019 by \$171.

Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by \$1,646 as of June 30, 2019, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2019 by \$131.

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

	<u>Pension Benefits</u>	<u>Post-Retirement Benefits</u>
2020	\$ 3,578	\$ 365
2021	3,901	372
2022	4,261	399
2023	4,512	405
2024-2028	26,697	2,357

The defined benefit plan assets reported at fair value at June 30, 2019, are classified as Level 1, Level 2 and Level 3, except for those reported at fair value using NAV, which are separately presented, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and money market funds	\$ 1,549	\$ -	\$ -	\$ -	\$ 1,549
Equity securities	24,253	-	-	9,632	33,885
Fixed income	9,364	-	-	-	9,364
Real estate/private capital	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>21,867</u>	<u>22,886</u>
Total investments, at fair value	<u>\$ 36,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,499</u>	<u>\$ 67,684</u>

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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, 2019.

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Real estate/private capital	\$ 21,867	7	\$ -	Daily to Annual	1 Year Hard, 1 Year Soft, 5% early withdrawal fee	2 to 90 days
Emerging markets equity	<u>1,019</u>	<u>5</u>	<u>-</u>	Quarterly	None	30 days
	<u>\$ 22,886</u>	<u>12</u>	<u>\$ -</u>			

The defined benefit plan assets reported at fair value at June 30, 2018, are classified as Level 1 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	NAV	Total
Cash and money market funds	\$ 5,748	\$ -	\$ -	\$ -	\$ 5,748
Equity securities	21,263	-	-	936	22,199
Fixed income	14,253	-	-	-	14,253
Real estate/private capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,293</u>	<u>26,293</u>
Total investments, at fair value	<u>\$ 41,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,229</u>	<u>\$ 68,493</u>

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, 2018.

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Real estate/private capital	\$ 26,293	10	\$ -	Daily to Annual	1 Year Lock (Exp. 10/1/18)	2 to 90 days
Emerging markets equity	<u>936</u>	<u>1</u>	<u>-</u>	Quarterly	None	30 days
	<u>\$ 27,229</u>	<u>11</u>	<u>\$ -</u>			

11. 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, which serves as the Agency's administrative offices. In addition, Children's Aid leases several other premises under operating lease agreements.

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Future minimum required annual lease payments are as follows:

Year Ending June 30:

2020	\$	5,545
2021		4,044
2022		3,580
2023		3,167
2024		2,937
Thereafter		<u>26,634</u>
	\$	<u>45,907</u>

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, 2019 and 2018, rent expense pertaining to these properties amounted to \$48 and \$50, 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 or cash flows of Children's Aid.

Pursuant to Children's Aid's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Children's Aid involving transactions relating to these contracts. The accompanying consolidated financial statements reflect no provision for possible disallowances.

12. 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 insurance limits of \$250 by \$6,863 and \$13,171, as of June 30, 2019 and 2018, respectively.

13. RELATED-PARTY TRANSACTIONS

Children's Aid has a 25% membership interest in United Charities, a New York not-for-profit organization. Children's Aid from time to time has rented premises under a lease with United Charities. Certain senior members of management are board members of United Charities. There was no rent expense for the years ended June 30, 2019 and 2018. 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 served as the Agency's previous 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 its new temporary rental headquarters located at 711 Third Avenue, New York, New York, effective August 2015 (See Note 10).

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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 it provides, which amounted to \$733,958 and \$592,626 for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the wrap-around services and other changes amounted to \$883,789 and \$835,285, 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 building was put into service on October 9, 2017, and rental payments from the Charter School to 1232 LLC commenced on October 15, 2017. Lease payments from the Charter School to 1232 LLC totaled \$600,000 in fiscal year ended June 30, 2019. In addition, 1232 Southern Blvd provided \$1,030 in donated space to Children's Aid College Prep Charter School. The Charter School did not make a lease payment to Children's Aid during the year ended June 30, 2018 because the school was under construction.

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 \$646,950 and \$428,070, respectively, for the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, Charter School owed \$432,059 and \$863,988, respectively, to Children's Aid.

14. 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 that 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 as of the reporting date. 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.).

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Investments in international commingled funds and alternative investments (including private capital, limited partnerships and hedge funds) are recorded at fair value in an amount equal to the NAV, as reported by the investment manager, ownership interest held by Children's Aid at year-end. These investments are presented separately in the fair value leveling hierarchy.

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, 2019 and 2018, there were no transfers in or out of Levels 1, 2 or 3.

Financial assets reported at fair value at June 30, 2019, 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and money market funds	\$ 3,788	\$ -	\$ -	\$ -	\$ 3,788
Equity securities:					
Global Equity	75,944	-	-	-	75,944
Total equity securities	75,944	-	-	-	75,944
Fixed income:					
Mutual funds	16,300	-	-	-	16,300
Total fixed income	16,300	-	-	-	16,300
Alternative investments:					
Emerging markets equity fund	-	-	-	4,492	4,492
International commingled funds	-	-	-	21,400	21,400
U.S. commingled funds	-	-	-	42,256	42,256
Global equity	-	-	-	41,796	41,796
Hedge funds	-	-	-	44,702	44,702
Private capital	-	-	-	12,016	12,016
Mutual funds	-	-	-	18,495	18,495
Limited partnership	-	-	-	7,881	7,881
Total alternate investments	-	-	-	193,038	193,038
Total investments, at fair value	<u>\$ 96,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,038</u>	<u>\$ 289,070</u>

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Financial assets carried at fair value at June 30, 2018, are classified as Level 1, Level 2 and Level 3 in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and money market funds	\$ 6,417	\$ -	\$ -	\$ -	\$ 6,417
Equity securities:					
Global Equity	<u>77,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,471</u>
Total equity securities	<u>77,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,471</u>
Fixed income:					
Mutual funds	<u>24,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,143</u>
Total fixed income	<u>24,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,143</u>
Alternative investments:					
Emerging markets equity fund	-	-	-	11,602	11,602
International commingled funds	-	-	-	38,730	38,730
Global equity	-	-	-	49,530	49,530
Hedge funds	5,498	-	-	57,849	63,347
Private capital	-	-	-	17,513	17,513
Mutual funds	-	-	-	9,283	9,283
Limited partnership	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,598</u>	<u>7,598</u>
Total alternate investments	<u>5,498</u>	<u>-</u>	<u>-</u>	<u>192,105</u>	<u>197,603</u>
Total investments, at fair value	<u>\$ 113,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,105</u>	<u>\$ 305,634</u>

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.

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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, 2019.

	NAV in Funds	# of Funds	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	\$ 12,016	2	\$ -	Daily to Annual	1 Year Hard, 1 Year Soft, 5% early withdrawal fee	2 to 90 days
Limited partnership	7,881	1	-	Quarterly	None	30 to 90 days
Global equity	41,796	4	-	Quarterly	None	30 days
International commingled funds	21,400	3	-	Daily, monthly, quarterly	None	10 to 90 days
U.S. commingled funds	42,256	6	-			
Mutual funds	18,495	3	-	Daily, monthly	None	2 to 5 days
Hedge funds	44,702	7	-	Quarterly	withdrawal penalty, 1 Year Hard, 1 Year Soft, 5% early	Redeemed as of
Emerging markets equity fund	4,492	1	-	Quarterly	None	9/30/2017 to 30 days 30 days
Total	<u>\$ 193,038</u>	<u>27</u>	<u>\$ -</u>			

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, 2018.

	NAV in Funds	# of Funds	Unfunded Commitment	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	\$ 17,513	1	\$ -	Daily to Annual	1 Year lock to 1 year soft (exp 10/1/18)	2 to 90 days
Limited partnership	7,598	1	-	Quarterly	None	30 to 90 days
Global equity	49,530	4	-	Quarterly	None	30 days
International commingled funds	38,730	3	-	Daily, monthly, quarterly	None	10 to 90 days
Mutual funds	9,283	2	-	Daily, monthly	None	2 to 5 days
Hedge funds	57,849	8	-	Quarterly	5 year lock (exp. 10/1/18)	Redeemed as of
Emerging markets equity fund	11,602	1	-	Quarterly	None	9/30/2017 to 30 days 30 days
Total	<u>\$ 192,105</u>	<u>20</u>	<u>\$ -</u>			

During the year ended June 30, 2019, 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 market 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.

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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.

15. SPLIT-INTEREST OBLIGATIONS AND INVESTMENTS

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 donor stipulated beneficiary a specified amount over the beneficiary's lifetime. Investment assets for the charitable gift annuities total \$1,949 and \$1,774 as of June 30, 2019 and 2018, 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, 2019 and 2018, amounted to \$1,631 and \$1,714, respectively, and have been calculated using discount rates ranging from 0% to 0% for the years ended June 30, 2019 and 2018, and the applicable mortality table. This annuity payment liability has been included in split-interest agreement obligations 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 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 revert to Children's Aid, and those assets will be released from restrictions. Pooled income assets included with split-interest agreement assets amounted to \$1,307 and \$2,084 as of June 30, 2019 and 2018, respectively, and are reported at fair value. The underlying assets are valued using Level 1 inputs in the fair value hierarchy. The present value of the estimated future payments as of June 30, 2019 and 2018, amounted to \$977 and \$1,089, respectively. This annuity payment liability has been included in split-interest agreement obligations in the accompanying consolidated statements of financial position.

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Income earned by the fund and due to the life beneficiaries as of June 30, 2019 and 2018, amounted to \$60 and \$14, respectively, and has been included in split-interest agreement obligations on the accompanying consolidated statements of financial position. No contributions were made to the pooled income fund during the years ended June 30, 2019 and 2018, 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 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, 2019 and 2018, the beneficial interest in the lead trust of \$149 is included in split-interest agreement assets representing the present value of the future cash flows from the trust, which was calculated using discount rates ranging from 0.00% to 0.28%.

For the years ended June 30, 2019 and 2018, donors made contributions into the annuity fund. Based on the donor's life expectancy and the applicable discount rate, contributions of approximately \$282 and \$99 for the years ended June 30, 2019 and 2018, respectively, have been recorded in the accompanying consolidated statements of activities.

16. 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 \$1,722 and \$584 for the years ended June 30, 2019 and 2018, respectively.

Children's Aid offers a Supplemental Executive Retirement Plan for the Chief Executive Officer of Children's Aid. There were no accrued benefits under the plan as of June 30, 2019 and 2018. For the years ended June 30, 2019 and 2018, related benefit costs totaled \$86 each year.

17. 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 related 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 in connection with the acquisition, renovation and improvement of CAS space and the other, in the principal amount of \$1,696 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 was received during 2011 and the final disbursement of \$4,225 was received in September 2012.

As of June 30, 2019 and 2018, the loan payable to PCDC amounted to \$7,000, each year with a maturity date of March 25, 2036 and an interest rate of 5.26%. Interest expense totaled \$368 for each of the years ended June 30, 2019 and 2018.

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For the first eighteen months, loan payments of \$12 per month are interest only. After the final disbursement, interest only payments will be \$30 per month for the next eighty-four (84) months. Payments of principal and interest will begin thereafter, calculated based on the outstanding principal balance. Repayment will be made over one hundred ninety-nine (199) equal installments of principal and interest in the approximate amount of \$53 per month until maturity date.

Deferred financing costs (net of amortization) of \$513 and \$544 as of June 30, 2019 and 2018, respectively, associated with the loan payable are being amortized over the life of the loan. Amortization expense was approximately \$30 for each of the years ended June 30, 2019 and 2018, respectively. 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 as of June 30, 2019 and 2018, respectively.

Children's Aid is required to maintain a Debt Service Coverage Ratio 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, 2019, Children's Aid has a waiver of compliance with respect to this ratio test; and, as of June 30, 2018, 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%, and (ii) current assets to current liabilities of not less than 1.1 to 1.0. As of June 30, 2019 and 2018, 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.

18. BONDS 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 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 \$3,817 at June 30, 2019.

The bonds were issued at a premium of \$3,492. The premium is being amortized over the term of the bonds. For the year ended June 30, 2019, amortization amounted to \$88. Deferred financing costs (net of amortization) of \$578 and \$601 as of June 30, 2019 and 2018, respectively, associated with the loan payable are being amortized over the life of the bonds. For the years ended June 30, 2019 and 2018, amortization expense amounted to \$22, each year.

The bond indenture requires that proceeds are held in a separate account held by a bond trustee until they are used for construction. Such funds amounted to \$0 and \$94 as of June 30, 2019 and 2018, respectively.

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Future annual principal payments of the bonds are as follows for the years subsequent to June 30, 2019:

Year Ending June 30:

2020	\$ 675
2021	705
2022	735
2023	775
2024	815
Thereafter	<u>32,225</u>
Subtotal	<u>35,930</u>
Bond premium, net	3,026
Less: Bond issuance costs, net	<u>(578)</u>
Total	<u><u>\$ 38,378</u></u>

19. SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the consolidated statements of financial position through December 19, 2019, the date the consolidated financial statements were issued, noting no items which effect the consolidated financial statements except for the item discussed below.

On August 1, 2019, Children's Aid issued 30-year tax-exempt bonds through the Build NYC Resource Corporation in the par amount of \$34.42 million par plus \$4.26 million in premiums. The proceeds will finance the purchase of a new headquarters located at 117 West 124th Street, Harlem, New York, providing closer proximity to more Children's Aid sites.

The average coupon rate is approximately 4.04%. The bond indenture requires that proceeds are held in a separate account held by a bond trustee until they are released for direct use of the project.

Future annual principal payments of the bonds are as follows (in thousands):

Years ending June 30:

2020	\$ -
2021	-
2022	265
2023	275
2024	295
Thereafter	<u>33,585</u>
	<u><u>\$ 34,420</u></u>

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On October 3, 2019, the 910 East 172nd Street LLC affiliate of Children's Aid paid off the Qualified Low Income Community Investment Loan from Primary Care Development Corporation Empire State Health Opportunities Fund I, LLC in full without prepayment penalties. In connection with that transaction, approximately \$126 in debt service reserves was returned to Children's Aid.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Financial Position
As of June 30, 2019 and 2018
(in thousands)

	As of June 30, 2019						As of June 30, 2018					
	The Children's Aid Society	910 East 172nd Street, LLC	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total	The Children's Aid Society	910 East 172nd Street, LLC	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total
ASSETS												
Cash and cash equivalents	\$ 4,392	\$ 314	\$ 3	\$ 2,404	\$ -	\$ 7,113	\$ 9,954	\$ 906	\$ 6	\$ 2,555	\$ -	\$ 13,421
Accounts and grants receivable, net	41,060	169	10	295	(11,796)	29,738	35,571	250	-	613	(10,294)	26,140
Contributions receivable	1,563	-	-	-	-	1,563	1,460	-	-	-	-	1,460
Debt service reserve	-	126	-	-	-	126	-	126	-	93	-	219
Prepaid expenses and other assets	2,552	57	-	22	-	2,631	1,947	62	-	27	-	2,036
Facilities acquisition escrow	9,050	-	-	-	-	9,050	4,525	-	-	-	-	4,525
Investments	289,070	-	-	-	-	289,070	305,634	-	-	-	-	305,634
Split-interest agreement investments	3,918	-	-	-	-	3,918	4,007	-	-	-	-	4,007
Investment in LLC	9,002	-	-	-	(9,002)	-	9,002	-	-	-	(9,002)	-
Property and equipment, net	10,621	10,617	1,737	46,212	-	69,187	7,378	11,025	1,737	46,864	-	67,004
Total assets	<u>\$ 371,228</u>	<u>\$ 11,283</u>	<u>\$ 1,750</u>	<u>\$ 48,933</u>	<u>\$ (20,798)</u>	<u>\$ 412,396</u>	<u>\$ 379,478</u>	<u>\$ 12,369</u>	<u>\$ 1,743</u>	<u>\$ 50,152</u>	<u>\$ (19,296)</u>	<u>\$ 424,446</u>
LIABILITIES												
Accounts payable	\$ 3,430	\$ 478	\$ 100	\$ 11,363	\$ (11,796)	\$ 3,575	\$ 1,798	\$ 1,461	\$ 100	\$ 9,019	\$ (10,294)	\$ 2,084
Accrued expenses	9,493	-	-	852	-	10,345	11,546	-	-	951	-	12,497
Deferred revenue	2,661	-	-	-	-	2,661	2,948	-	-	-	-	2,948
Split-interest agreement obligations	2,608	-	-	-	-	2,608	2,803	-	-	-	-	2,803
Loan payable	-	6,487	-	-	-	6,487	-	6,456	-	-	-	6,456
Bonds payable	-	-	-	38,378	-	38,378	-	-	-	39,122	-	39,122
Accrued pension and post-retirement liability	52,869	-	-	-	-	52,869	52,519	-	-	-	-	52,519
Other liabilities	3,178	-	-	-	-	3,178	129	-	-	-	-	129
Total liabilities	<u>74,239</u>	<u>6,965</u>	<u>100</u>	<u>50,593</u>	<u>(11,796)</u>	<u>120,101</u>	<u>71,743</u>	<u>7,917</u>	<u>100</u>	<u>49,092</u>	<u>(10,294)</u>	<u>118,558</u>
NET ASSETS												
Without donor restrictions	274,103	4,318	1,650	(1,660)	(9,002)	269,409	283,357	4,452	1,643	1,060	(9,002)	281,510
With donor restrictions	22,886	-	-	-	-	22,886	24,378	-	-	-	-	24,378
Total net assets	<u>296,989</u>	<u>4,318</u>	<u>1,650</u>	<u>(1,660)</u>	<u>(9,002)</u>	<u>292,295</u>	<u>307,735</u>	<u>4,452</u>	<u>1,643</u>	<u>1,060</u>	<u>(9,002)</u>	<u>305,888</u>
Total liabilities and net assets	<u>\$ 371,228</u>	<u>\$ 11,283</u>	<u>\$ 1,750</u>	<u>\$ 48,933</u>	<u>\$ (20,798)</u>	<u>\$ 412,396</u>	<u>\$ 379,478</u>	<u>\$ 12,369</u>	<u>\$ 1,743</u>	<u>\$ 50,152</u>	<u>\$ (19,296)</u>	<u>\$ 424,446</u>

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, 2019
(in thousands)

	The Children's Aid Society			910 East 172nd Street, LLC	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Total	Total	Total		Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT										
Government support	\$ 85,595	\$ -	\$ 85,595	\$ -	\$ -	\$ -	\$ -	\$ 85,595	\$ -	\$ 85,595
Program services fees and dues	2,765	(1)	2,764	-	-	-	-	2,765	(1)	2,764
Contributions	6,929	8,338	15,267	-	-	-	-	6,929	8,338	15,267
Bequests	2,298	47	2,345	-	-	-	-	2,298	47	2,345
Estates and trusts	230	-	230	-	-	-	-	230	-	230
Rental income	43	-	43	996	7	1,265	(552)	1,759	-	1,759
Investment return used for operations and special initiatives	9,444	-	9,444	-	-	-	-	9,444	-	9,444
Funds used in operations in excess of investment earnings	4,283	-	4,283	-	-	-	-	4,283	-	4,283
Other revenue	2,635	-	2,635	1	-	2	-	2,638	-	2,638
In-kind donations	1,339	-	1,339	-	-	1,030	-	2,369	-	2,369
Net assets released (transferred) from special purpose funds	-	-	-	-	-	-	-	-	-	-
Net assets released from the real estate net asset fund	1,726	-	1,726	-	-	-	-	1,726	-	1,726
Net assets released from restrictions for operations	9,876	(9,876)	-	-	-	-	-	9,876	(9,876)	-
Total operating revenue and support	127,163	(1,492)	125,671	997	7	2,297	(552)	129,912	(1,492)	128,420
OPERATING EXPENSES										
Program Services										
Early Childhood	16,861	-	16,861	-	-	-	-	16,861	-	16,861
School Age	21,805	-	21,805	-	-	5,017	-	26,822	-	26,822
Adolescent and Carrera Pregnancy Prevention Program	8,565	-	8,565	-	-	-	-	8,565	-	8,565
Health and Wellness	16,957	-	16,957	452	-	-	(221)	17,188	-	17,188
Child Welfare and Family Services	44,648	-	44,648	679	-	-	(331)	44,996	-	44,996
National Center for Community Schools	1,056	-	1,056	-	-	-	-	1,056	-	1,056
Total program services	109,892	-	109,892	1,131	-	5,017	(552)	115,488	-	115,488
Supporting Services										
Management and general	19,892	-	19,892	-	-	-	-	19,892	-	19,892
Fundraising	3,968	-	3,968	-	-	-	-	3,968	-	3,968
Total supporting services	23,860	-	23,860	-	-	-	-	23,860	-	23,860
Total operating expenses	133,752	-	133,752	1,131	-	5,017	(552)	139,348	-	139,348
Change in net assets from operations	(6,589)	(1,492)	(8,081)	(134)	7	(2,720)	-	(9,436)	(1,492)	(10,928)
NON-OPERATING ACTIVITIES										
Net assets released from the real estate net asset fund	(1,726)	-	(1,726)	-	-	-	-	(1,726)	-	(1,726)
Investment return in (deficit) of amount used for operations	(4,283)	-	(4,283)	-	-	-	-	(4,283)	-	(4,283)
Adjustment to obligation under split-interest agreements	(434)	-	(434)	-	-	-	-	(434)	-	(434)
Pension related changes other than net periodic pension costs	3,778	-	3,778	-	-	-	-	3,778	-	3,778
Change in net assets from nonoperating activities	(2,665)	-	(2,665)	-	-	-	-	(2,665)	-	(2,665)
Change in total net assets	(9,254)	(1,492)	(10,746)	(134)	7	(2,720)	-	(12,101)	(1,492)	(13,593)
Net assets - beginning of year	283,357	24,378	307,735	4,452	1,643	1,060	(9,002)	281,510	24,378	305,888
Net assets - end of year	\$ 274,103	\$ 22,886	\$ 296,989	\$ 4,318	\$ 1,650	\$ (1,660)	\$ (9,002)	\$ 269,409	\$ 22,886	\$ 292,295

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THE CHILDREN'S AID SOCIETY
Consolidating Schedule of Activities
For the year ended June 30, 2018
(in thousands)

	The Children's Aid Society			910 East 172nd Street, LLC	1218 Southern Boulevard LLC	1232 Southern Boulevard LLC	Consolidating Eliminations	Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Total	Total	Total		Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT										
Government support	\$ 86,567	\$ -	\$ 86,567	\$ -	\$ -	\$ -	\$ -	\$ 86,567	\$ -	\$ 86,567
Program services fees and dues	3,544	-	3,544	-	-	-	-	3,544	-	3,544
Contributions	9,204	10,958	20,162	-	-	-	-	9,204	10,958	20,162
Bequests	2,659	-	2,659	-	-	-	-	2,659	-	2,659
Estates and trusts	260	-	260	-	-	-	-	260	-	260
Rental income	60	-	60	1,003	-	583	(478)	1,168	-	1,168
Investment return used for operations and special initiatives	19,190	-	19,190	-	-	-	-	19,190	-	19,190
Other revenue	2,158	569	2,727	-	-	161	-	2,319	569	2,888
In-kind donations	1,206	-	1,206	-	-	1,276	-	2,482	-	2,482
Net assets released (transferred) from special purpose funds	(1,102)	-	(1,102)	-	-	-	-	(1,102)	-	(1,102)
Net assets released from the real estate net asset fund	2,296	-	2,296	-	-	-	-	2,296	-	2,296
Net assets released from restrictions for operations	7,776	(7,776)	-	-	-	-	-	7,776	(7,776)	-
Total operating revenue and support	133,818	3,751	137,569	1,003	-	2,020	(478)	136,363	3,751	140,114
OPERATING EXPENSES										
Program Services										
Early Childhood	17,514	-	17,514	-	-	-	-	17,514	-	17,514
School Age	20,965	-	20,965	-	-	3,957	-	24,922	-	24,922
Adolescent and Carrera Pregnancy Prevention Program	8,380	-	8,380	-	-	-	-	8,380	-	8,380
Health and Wellness	16,413	-	16,413	545	-	-	(194)	16,764	-	16,764
Child Welfare and Family Services	41,560	-	41,560	805	-	-	(284)	42,081	-	42,081
National Center for Community Schools	1,359	-	1,359	-	-	-	-	1,359	-	1,359
Total program services	106,191	-	106,191	1,350	-	3,957	(478)	111,020	-	111,020
Supporting Services										
Management and general	21,960	-	21,960	-	-	-	-	21,960	-	21,960
Fundraising	3,308	-	3,308	-	-	-	-	3,308	-	3,308
Total supporting services	25,268	-	25,268	-	-	-	-	25,268	-	25,268
Total operating expenses	131,459	-	131,459	1,350	-	3,957	(478)	136,288	-	136,288
Change in net assets from operations	2,359	3,751	6,110	(347)	-	(1,937)	-	75	3,751	3,826
NON-OPERATING ACTIVITIES										
Net assets released (transferred) from special purpose funds	1,102	-	1,102	-	-	-	-	1,102	-	1,102
Net assets released from the real estate net asset fund	(2,296)	-	(2,296)	-	-	-	-	(2,296)	-	(2,296)
Net assets transferred from the real estate net asset fund	(1,100)	-	(1,100)	-	-	1,100	-	-	-	-
Investment return in excess (deficit) of amount used for operations	527	-	527	-	-	-	-	527	-	527
Adjustment to obligation under split-interest agreements	(942)	-	(942)	-	-	-	-	(942)	-	(942)
Pension related changes other than net periodic pension costs	11,398	-	11,398	-	-	-	-	11,398	-	11,398
Change in net assets from nonoperating activities	8,689	-	8,689	-	-	1,100	-	9,789	-	9,789
Change in total net assets	11,048	3,751	14,799	(347)	-	(837)	-	9,864	3,751	13,615
Net assets - beginning of year	272,309	20,627	292,936	4,799	1,643	1,897	(9,002)	271,646	20,627	292,273
Net assets - end of year	\$ 283,357	\$ 24,378	\$ 307,735	\$ 4,452	\$ 1,643	\$ 1,060	\$ (9,002)	\$ 281,510	\$ 24,378	\$ 305,888

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