

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

**The Children's Aid Society**

June 30, 2020 and 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

**Report on the financial statements**

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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 Agency's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Children's Aid Society as of June 30, 2020 and 2019, 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.

**Other matters***Supplementary information*

Our audits were 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, 2020 and 2019 as a whole. The accompanying supplementary information on pages 38 through 40 is presented for the purpose 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 the 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 15, 2020

The Children's Aid Society

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019  
(in thousands)

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and cash equivalents (Notes 2 and 12)                     | \$ 19,535         | \$ 7,113          |
| Accounts and grants receivable, net (Notes 2 and 4)            | 39,943            | 29,738            |
| Contributions receivable (Notes 2 and 4)                       | 1,269             | 1,563             |
| Debt service reserve (Note 17)                                 | -                 | 126               |
| Prepaid expenses and other assets                              | 2,717             | 2,631             |
| Facilities acquisition escrow (Note 2)                         | -                 | 9,050             |
| Investments (Notes 2, 6, and 14)                               | 288,830           | 289,070           |
| Split-interest agreement investments (Note 15)                 | 1,652             | 3,918             |
| Property and equipment, net (Notes 2 and 7)                    | <u>116,484</u>    | <u>69,187</u>     |
| Total assets   | <u>\$ 470,430</u> | <u>\$ 412,396</u> |
| <b>LIABILITIES</b>   |                   |                   |
| Accounts payable   | 1,920             | 3,575             |
| Accrued expenses   | 12,111            | 10,345            |
| Deferred revenue   | 9,614             | 2,661             |
| Split-interest obligations (Note 15)                           | 613               | 2,608             |
| Loan payable, net (Note 17)                                    | -                 | 6,487             |
| Bonds payable, net (Note 18)                                   | 75,441            | 38,378            |
| Line of credit payable (Note 19)                               | 7,500             | -                 |
| Accrued pension and post-retirement obligations, net (Note 10) | 72,308            | 52,869            |
| Other liabilities  | <u>3,077</u>      | <u>3,178</u>      |
| Total liabilities  | <u>182,584</u>    | <u>120,101</u>    |
| <b>NET ASSETS</b> (Note 2)                                     |                   |                   |
| Without donor restrictions                                     | 271,889           | 269,409           |
| With donor restrictions (Note 9)                               | <u>15,957</u>     | <u>22,886</u>     |
| Total net assets   | <u>287,846</u>    | <u>292,295</u>    |
| Total liabilities and net assets                               | <u>\$ 470,430</u> | <u>\$ 412,396</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, 2020 and 2019  
(in thousands)

|   | Year ended June 30, 2020   |                         |                   | Year ended June 30, 2019   |                         |                   |
|---|----------------------------|-------------------------|-------------------|----------------------------|-------------------------|-------------------|
|   | Without donor restrictions | With donor restrictions | Total 2020        | Without donor restrictions | With donor restrictions | Total 2019        |
| <b>Operating revenue and support</b>                                    |                            |                         |                   |                            |                         |                   |
| Government support (Note 2)   | \$ 88,328                  | \$ -                    | \$ 88,328         | \$ 85,595                  | \$ -                    | \$ 85,595         |
| Program services fees and dues  | 10,918                     | -                       | 10,918            | 2,765                      | (1)                     | 2,764             |
| Contributions (Note 2)  | 13,484                     | 10,850                  | 24,334            | 6,929                      | 8,338                   | 15,267            |
| Planned giving (Note 2)   | 610                        | -                       | 610               | 2,528                      | 47                      | 2,575             |
| Rental income   | 1,713                      | -                       | 1,713             | 1,759                      | -                       | 1,759             |
| Investment return used for operations (Note 6)                          | 13,037                     | -                       | 13,037            | 13,727                     | -                       | 13,727            |
| Other revenue   | 5,240                      | (92)                    | 5,148             | 2,638                      | -                       | 2,638             |
| In-kind contributions   | 2,222                      | -                       | 2,222             | 2,369                      | -                       | 2,369             |
| Net assets released from the real-estate investment fund                | 1,726                      | -                       | 1,726             | 1,726                      | -                       | 1,726             |
| Net assets released from restrictions for programs (Note 2 and 9)       | 17,687                     | (17,687)                | -                 | 9,876                      | (9,876)                 | -                 |
| <b>Total operating revenue and support</b>                              | <b>154,965</b>             | <b>(6,929)</b>          | <b>148,036</b>    | <b>129,912</b>             | <b>(1,492)</b>          | <b>128,420</b>    |
| <b>Operating expenses</b>   |                            |                         |                   |                            |                         |                   |
| Program services  |                            |                         |                   |                            |                         |                   |
| Early Childhood   | 17,403                     | -                       | 17,403            | 16,861                     | -                       | 16,861            |
| Youth   | 34,648                     | -                       | 34,648            | 35,387                     | -                       | 35,387            |
| Health and Wellness   | 18,951                     | -                       | 18,951            | 17,188                     | -                       | 17,188            |
| Child Welfare and Family Services                                       | 47,976                     | -                       | 47,976            | 44,996                     | -                       | 44,996            |
| Collective Impact & National Center for Community Schools               | 2,082                      | -                       | 2,082             | 1,056                      | -                       | 1,056             |
| <b>Total program services</b>   | <b>121,060</b>             | <b>-</b>                | <b>121,060</b>    | <b>115,488</b>             | <b>-</b>                | <b>115,488</b>    |
| Supporting services   |                            |                         |                   |                            |                         |                   |
| Management and general  | 21,817                     | -                       | 21,817            | 19,892                     | -                       | 19,892            |
| Fundraising   | 3,396                      | -                       | 3,396             | 3,968                      | -                       | 3,968             |
| <b>Total supporting services</b>  | <b>25,213</b>              | <b>-</b>                | <b>25,213</b>     | <b>23,860</b>              | <b>-</b>                | <b>23,860</b>     |
| <b>Total operating expenses</b>   | <b>146,273</b>             | <b>-</b>                | <b>146,273</b>    | <b>139,348</b>             | <b>-</b>                | <b>139,348</b>    |
| Changes in net assets from operations                                   | 8,692                      | (6,929)                 | 1,763             | (9,436)                    | (1,492)                 | (10,928)          |
| <b>Non-operating activities (Note 2)</b>                                |                            |                         |                   |                            |                         |                   |
| Net assets released from the real estate investment fund                | (1,726)                    | -                       | (1,726)           | (1,726)                    | -                       | (1,726)           |
| Investment return less amount used for operations (Note 6)              | (12,532)                   | -                       | (12,532)          | (4,283)                    | -                       | (4,283)           |
| Adjustment to obligation under split-interest agreements                | 412                        | -                       | 412               | (434)                      | -                       | (434)             |
| Pension related changes other than net periodic pension costs (Note 10) | (19,159)                   | -                       | (19,159)          | 3,778                      | -                       | 3,778             |
| Gain on sale of assets  | 26,793                     | -                       | 26,793            | -                          | -                       | -                 |
| <b>Changes in net assets from non-operating activities</b>              | <b>(6,212)</b>             | <b>-</b>                | <b>(6,212)</b>    | <b>(2,665)</b>             | <b>-</b>                | <b>(2,665)</b>    |
| <b>Changes in net assets</b>  | <b>2,480</b>               | <b>(6,929)</b>          | <b>(4,449)</b>    | <b>(12,101)</b>            | <b>(1,492)</b>          | <b>(13,593)</b>   |
| Net assets - beginning of year  | 269,409                    | 22,886                  | 292,295           | 281,510                    | 24,378                  | 305,888           |
| <b>Net assets - end of year</b>   | <b>\$ 271,889</b>          | <b>\$ 15,957</b>        | <b>\$ 287,846</b> | <b>\$ 269,409</b>          | <b>\$ 22,886</b>        | <b>\$ 292,295</b> |

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, 2020 and 2019  
(in thousands)

|  | Program Services Expenses |                  |                  |                  |                     |                  |                                   |                  |   |                 |                   |                   |
|--|---------------------------|------------------|------------------|------------------|---------------------|------------------|-----------------------------------|------------------|---|-----------------|-------------------|-------------------|
|  | Early Childhood           |                  | Youth            |                  | Health and Wellness |                  | Child Welfare and Family Services |                  | Collective Impact & National Center for Community Schools |                 | Total             |                   |
|  | 2020                      | 2019             | 2020             | 2019             | 2020                | 2019             | 2020                              | 2019             | 2020  | 2019            | 2020              | 2019              |
| Salaries   | \$ 10,343                 | \$ 10,236        | \$ 18,933        | \$ 19,347        | \$ 9,644            | \$ 9,222         | \$ 20,673                         | \$ 19,556        | \$ 900  | \$ 546          | \$ 60,493         | \$ 58,907         |
| Employee health and retirement benefits                    | 3,038                     | 3,034            | 2,624            | 2,623            | 2,186               | 2,110            | 4,713                             | 4,802            | 196   | 132             | 12,757            | 12,701            |
| Payroll taxes  | 986                       | 1,106            | 1,825            | 1,206            | 922                 | 964              | 1,982                             | 2,189            | 83  | 60              | 5,798             | 5,525             |
| <b>Total salaries and related expenses</b>                 | <b>14,367</b>             | <b>14,376</b>    | <b>23,382</b>    | <b>23,176</b>    | <b>12,752</b>       | <b>12,296</b>    | <b>27,368</b>                     | <b>26,547</b>    | <b>1,179</b>  | <b>738</b>      | <b>79,048</b>     | <b>77,133</b>     |
| Professional fees  | 165                       | 78               | 1,121            | 950              | 1,146               | 830              | 1,664                             | 1,641            | 31  | 60              | 4,127             | 3,559             |
| Supplies   | 516                       | 505              | 673              | 855              | 788                 | 758              | 340                               | 300              | 14  | 21              | 2,331             | 2,439             |
| Telephone and communications                               | 48                        | 42               | 293              | 284              | 140                 | 123              | 505                               | 427              | 18  | 14              | 1,004             | 890               |
| Postage and shipping                                       | 31                        | -                | 123              | 7                | 18                  | 10               | 52                                | 52               | 1   | 1               | 225               | 70                |
| Occupancy  | 819                       | 767              | 1,987            | 2,810            | 1,124               | 729              | 4,159                             | 2,471            | 122   | 75              | 8,211             | 6,852             |
| Outside printing and promotion                             | 13                        | 8                | 6                | 8                | 11                  | 32               | 7                                 | 24               | 13  | 8               | 50                | 80                |
| Local travel and related expenses                          | 3                         | 13               | 154              | 341              | 124                 | 181              | 533                               | 633              | 31  | 29              | 845               | 1,197             |
| Training, conferences, conventions, and partnership grants | 114                       | 121              | 239              | 292              | 35                  | 56               | 62                                | 112              | 582   | 17              | 1,032             | 598               |
| Special events   | -                         | -                | 11               | 11               | -                   | -                | -                                 | 15               | -   | -               | 11                | 26                |
| Specific assistance for individuals                        | 24                        | 24               | 1,119            | 1,159            | 98                  | 86               | 989                               | 856              | 1   | -               | 2,231             | 2,125             |
| Foster boarding home                                       | 3                         | 3                | -                | -                | 164                 | 162              | 10,335                            | 9,934            | -   | -               | 10,502            | 10,099            |
| Repairs  | 6                         | 3                | 13               | 33               | 81                  | 92               | 4                                 | 14               | 2   | 4               | 106               | 146               |
| Insurance  | 516                       | 257              | 259              | 325              | 421                 | 247              | 371                               | 353              | 13  | 6               | 1,580             | 1,188             |
| Membership dues  | -                         | 2                | 44               | 115              | 95                  | 72               | 30                                | 28               | 1   | -               | 170               | 217               |
| Food   | 232                       | 262              | 374              | 539              | 126                 | 90               | 72                                | 112              | 43  | 77              | 847               | 1,080             |
| Information technology                                     | 138                       | 51               | 222              | 168              | 382                 | 329              | 413                               | 407              | 20  | 6               | 1,175             | 961               |
| Depreciation and amortization                              | 67                        | 32               | 1,489            | 1,428            | 535                 | 175              | 850                               | 744              | 4   | -               | 2,945             | 2,379             |
| Interest   | -                         | -                | 1,684            | 1,498            | 62                  | 147              | 62                                | 221              | -   | -               | 1,808             | 1,866             |
| Miscellaneous  | 31                        | 7                | 131              | 64               | 311                 | 212              | 110                               | 55               | 7   | -               | 590               | 338               |
| In-kind - other  | 310                       | 310              | 1,324            | 1,324            | 538                 | 561              | 50                                | 50               | -   | -               | 2,222             | 2,245             |
| <b>Total expenses</b>                                      | <b>\$ 17,403</b>          | <b>\$ 16,861</b> | <b>\$ 34,648</b> | <b>\$ 35,387</b> | <b>\$ 18,951</b>    | <b>\$ 17,188</b> | <b>\$ 47,976</b>                  | <b>\$ 44,996</b> | <b>\$ 2,082</b>   | <b>\$ 1,056</b> | <b>\$ 121,060</b> | <b>\$ 115,488</b> |

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, 2020 and 2019  
(in thousands)

|  | Management and General |           | Fundraising |          | Total Supporting Services |           | Total Program and Supporting Services |            |
|--|------------------------|-----------|-------------|----------|---------------------------|-----------|---------------------------------------|------------|
|  | 2020                   | 2019      | 2020        | 2019     | 2020                      | 2019      | 2020                                  | 2019       |
| Salaries   | \$ 10,465              | \$ 9,952  | \$ 1,702    | \$ 1,885 | \$ 12,167                 | \$ 11,837 | \$ 72,660                             | \$ 70,744  |
| Employee health and retirement benefits                    | 2,509                  | 2,459     | 413         | 469      | 2,922                     | 2,928     | 15,679                                | 15,629     |
| Payroll taxes  | 980                    | 1,138     | 164         | 216      | 1,144                     | 1,354     | 6,942                                 | 6,879      |
| Total salaries and related expenses                        | 13,954                 | 13,549    | 2,279       | 2,570    | 16,233                    | 16,119    | 95,281                                | 93,252     |
| Professional fees  | 2,661                  | 1,942     | 283         | 376      | 2,944                     | 2,318     | 7,071                                 | 5,877      |
| Supplies   | 150                    | 132       | 13          | 20       | 163                       | 152       | 2,494                                 | 2,591      |
| Telephone and communications                               | 109                    | 122       | 10          | 11       | 119                       | 133       | 1,123                                 | 1,023      |
| Postage and shipping                                       | 15                     | 19        | 34          | 12       | 49                        | 31        | 274                                   | 101        |
| Occupancy  | 1,605                  | 1,288     | 275         | 265      | 1,880                     | 1,553     | 10,091                                | 8,405      |
| Outside printing and promotion                             | 81                     | 231       | 138         | 48       | 219                       | 279       | 269                                   | 359        |
| Local travel and related expenses                          | 98                     | 56        | 3           | 5        | 101                       | 61        | 946                                   | 1,258      |
| Training, conferences, conventions, and partnership grants | 42                     | 315       | 1           | 8        | 43                        | 323       | 1,075                                 | 921        |
| Special events   | 2                      | 6         | 343         | 457      | 345                       | 463       | 356                                   | 489        |
| Specific assistance for individuals                        | 52                     | 54        | -           | -        | 52                        | 54        | 2,283                                 | 2,179      |
| Foster boarding home                                       | 1                      | 1         | -           | -        | 1                         | 1         | 10,503                                | 10,100     |
| Repairs  | 38                     | 15        | -           | -        | 38                        | 15        | 144                                   | 161        |
| Insurance  | 87                     | 132       | 12          | 24       | 99                        | 156       | 1,679                                 | 1,344      |
| Membership dues  | 43                     | 23        | -           | -        | 43                        | 23        | 213                                   | 240        |
| Food   | 20                     | 40        | 22          | 14       | 42                        | 54        | 889                                   | 1,134      |
| Information technology                                     | 1,017                  | 740       | (44)        | 155      | 973                       | 895       | 2,148                                 | 1,856      |
| Depreciation and amortization                              | 834                    | 974       | 24          | -        | 858                       | 974       | 3,803                                 | 3,353      |
| Interest   | 735                    | -         | -           | -        | 735                       | -         | 2,543                                 | 1,866      |
| Miscellaneous  | 273                    | 129       | 3           | 3        | 276                       | 132       | 866                                   | 470        |
| In-kind - other  | -                      | 124       | -           | -        | -                         | 124       | 2,222                                 | 2,369      |
| Total expenses   | \$ 21,817              | \$ 19,892 | \$ 3,396    | \$ 3,968 | \$ 25,213                 | \$ 23,860 | \$ 146,273                            | \$ 139,348 |

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, 2020 and 2019

(in thousands)

|  | <u>2020</u>      | <u>2019</u>     |
|--|------------------|-----------------|
| <b>Cash flows from operating activities:</b>   |                  |                 |
| Changes in net assets  | \$ (4,449)       | \$ (13,593)     |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: |                  |                 |
| Depreciation and amortization  | 3,803            | 3,353           |
| Amortization of deferred financing costs   | 535              | 53              |
| Adjustments to obligation under split-interest agreements                                | (412)            | 434             |
| Amortization of bond premium   | (116)            | (116)           |
| Realized and unrealized gain on investments  | (804)            | (8,582)         |
|  | <u>(1,443)</u>   | <u>(18,451)</u> |
| Subtotal   |                  |                 |
| (1,443)  |                  | (18,451)        |
| Changes in operating assets and liabilities:   |                  |                 |
| (Increase) decrease in:  |                  |                 |
| Accounts and grants receivable   | (10,205)         | (3,598)         |
| Contributions receivable   | 294              | (103)           |
| Facilities acquisition escrow  | 9,050            | (4,525)         |
| Prepaid expenses and other assets  | (86)             | (595)           |
| (Decrease) increase in:  |                  |                 |
| Accounts payable   | (1,655)          | 1,491           |
| Accrued expenses   | 1,766            | (106)           |
| Accrued pension and post-retirement obligations  | 19,439           | 350             |
| Deferred revenue   | 6,953            | (287)           |
| Split-interest obligations   | 683              | (541)           |
| Other liabilities  | (101)            | 1,003           |
|  | <u>(101)</u>     | <u>1,003</u>    |
| Net cash provided by (used in) operating activities                                      | <u>24,695</u>    | <u>(25,362)</u> |
| <b>Cash flows from investing activities:</b>   |                  |                 |
| Purchases of property and equipment  | (51,100)         | (5,537)         |
| Purchases of investments   | (240,550)        | (221,885)       |
| Proceeds from sale/maturity of investments   | 241,594          | 247,033         |
|  | <u>241,594</u>   | <u>247,033</u>  |
| Net cash (used in) provided by investing activities                                      | <u>(50,056)</u>  | <u>19,611</u>   |
| <b>Cash flows from financing activities:</b>   |                  |                 |
| Payments on bonds payable  | (675)            | (650)           |
| Payment on loan payable  | (7,000)          |                 |
| Debt service reserve   | (584)            | 93              |
| Proceeds from line of credit   | 7,500            | -               |
| Proceeds from bond   | 38,542           |                 |
|  | <u>38,542</u>    | <u>-</u>        |
| Net cash provided by (used in) financing activities                                      | <u>37,783</u>    | <u>(557)</u>    |
| Net increase (decrease) in cash and cash equivalents                                     | 12,422           | (6,308)         |
| <b>Cash and cash equivalents, beginning of year</b>                                      | <u>7,113</u>     | <u>13,421</u>   |
| <b>Cash and cash equivalents, end of year</b>  | <u>\$ 19,535</u> | <u>\$ 7,113</u> |
| <b>Supplemental disclosures of cash flow information:</b>                                |                  |                 |
| Cash paid for interest   | <u>\$ 2,543</u>  | <u>\$ 2,092</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, 2020 and 2019**  
*(in thousands)*

**NOTE 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. This is accomplished 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 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, and 1232 LLC (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 daycare (ages 3-5).

**Youth**

The Youth division focuses on ages 5 to adolescence and young adult and promotes physical, social, and emotional well-being as key factors for high school graduation and college success. Youth 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. For older youth 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.

## The Children's Aid Society

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

#### **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. Some services are provided in community clinics and school-based clinics. 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 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. This division 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.

#### **Collective Impact & the National Center for Community Schools**

Collective Impact philosophy considers the whole child and recognizes that success requires having many partners work together. This initiative includes the South Bronx Rising Together initiative and the National Center for Community Schools which builds the capacity of schools, districts, community partners and government agencies to organize their human and financial resources around student success.

### **NOTE 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 ("U.S. GAAP"), as applicable to not-for-profit organizations. All intercompany transactions are eliminated in the preparation of the accompanying consolidated financial statements.

#### ***Net Asset Classification***

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the 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 - CONTINUED

June 30, 2020 and 2019  
(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. Net assets without donor restrictions also may include amounts designated by the Board of Trustees 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 and funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. 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 statement 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 statement 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 held for long-term investment, which are included within investments on the accompanying consolidated statement 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 \$2,239 and \$2,021 of special events revenue as of June 30, 2020 and 2019, respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

**Allowance for Uncollectible Receivables**

An allowance is recorded based on prior years' collection experience and management's analysis and evaluation of specific accounts, grants and contributions to be received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. As of June 30, 2020 and 2019, the Agency determined that an allowance of \$819 and \$633 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. Non-exchange traded 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. 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 straight-line 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:

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

## The Children's Aid Society

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

#### ***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 statement 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 statement of financial position. There were no impairment charges for the years ended June 30, 2020 and 2019.

#### ***Facilities Acquisition Escrow***

On February 13, 2019, Children's Aid entered into a contract to purchase four floors of a building under construction at 117 West 124th Street, New York, NY to use as its new headquarters. The property acquisition price is \$45,252 and the initial down payment of \$9,050 is reflected in the 2019 consolidated statement of financial position and the acquisition was completed during the 2020 fiscal year and included as part of property and equipment.

#### ***Revenue Recognition***

Children's Aid recognizes revenue from contributions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, Children's Aid evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer is determined to be an exchange transaction, Children's Aid applies guidance under FASB Accounting Standards Codification ("ASC") 606. If the transfer of assets is determined to be a contribution, Children's Aid evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before Children's Aid is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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 statement 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.

## The Children's Aid Society

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

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 when 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 measurable.

Children's Aid also receives grants from foundations in exchange for the performance of various services. Children's Aid recognizes grants as restricted revenue when they are committed and releases 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### ***Measure of Operations***

The Agency includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions, except for endowment gifts that have been restricted by donors in perpetuity and donor gifts for capital expenditure. 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, 2019 consolidated financial statements, as previously presented, have been reclassified to conform to the June 30, 2020 presentation. Such changes had no impact on the change in net assets for the year ended June 30, 2019.

**The Children's Aid Society**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**  
*(in thousands)*

***New Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 U.S. GAAP, but without the bright lines. Entities are required to adopt the standard 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. In June 2020, the FASB issued ASU No. 2020-05, *Accounting Standards Update 2020-05—Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2019. The guidance is effective for the Agency for fiscal year 2021. 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 IRS 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, 2020 and 2019.

**NOTE 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.



The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

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, 2020 and 2019.

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Cash and cash equivalents  | \$ 19,535         | \$ 7,113          |
| Accounts and grants receivables, net                               | 39,943            | 29,738            |
| Contributions receivable, net                                      | 1,269             | 1,563             |
| Investments  | <u>288,830</u>    | <u>289,070</u>    |
| Total financial assets available within one year                   | <u>349,577</u>    | <u>327,484</u>    |
| Less:  |                   |                   |
| Contractual, legal or donor-imposed restrictions                   |                   |                   |
| Restricted by donors with time or purpose                          | 9,146             | 16,075            |
| Restricted by donors in perpetuity                                 | 6,811             | 6,811             |
| Designated by the Board of Trustees for specific purposes          | <u>19</u>         | <u>18,196</u>     |
| Total amounts unavailable for general expenditures within one year | <u>15,976</u>     | <u>41,082</u>     |
| Total amounts available for general expenditures within one year   | <u>\$ 333,601</u> | <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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

**NOTE 4 - ACCOUNTS AND GRANTS RECEIVABLE, NET**

Accounts and grants receivable, net, consist of the following at June 30, 2020 and 2019:

|  | 2020             | 2019             |
|--|------------------|------------------|
| Due from the City of New York              | \$ 25,527        | \$ 22,470        |
| Due from the State of New York             | 4,757            | 4,624            |
| Due from Federal government                | 1,952            | 1,139            |
| Due from other sources                     | 8,526            | 2,138            |
|  | <u>40,762</u>    | <u>30,371</u>    |
| Less: Allowances for uncollectible amounts | <u>(819)</u>     | <u>(633)</u>     |
|  | <u>\$ 39,943</u> | <u>\$ 29,738</u> |

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following:

|                     | 2020            | 2019            |
|---------------------|-----------------|-----------------|
| Bequests receivable | \$ -            | \$ 80           |
| Pledges receivable  | <u>1,269</u>    | <u>1,483</u>    |
| Total               | <u>\$ 1,269</u> | <u>\$ 1,563</u> |

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

|                    | 2020            | 2019            |
|--------------------|-----------------|-----------------|
| Less than one year | \$ 721          | \$ 1,000        |
| One to two years   | <u>548</u>      | <u>483</u>      |
| Total              | <u>\$ 1,269</u> | <u>\$ 1,483</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 \$1,030 for the years ended June 30, 2020 and June 30, 2019, 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

NOTE 6 - INVESTMENTS

Investments consist of the following at June 30, 2020 and 2019:

|                               | 2020              | 2019              |
|-------------------------------|-------------------|-------------------|
| Cash and money market funds   | \$ 21,960         | \$ 3,788          |
| Equities and commingled funds | 64,079            | 75,944            |
| Mutual funds                  | 28,462            | 16,300            |
| Alternative investments:      |                   |                   |
| Private capital               | 14,169            | 12,016            |
| Hedge funds                   | 21,840            | 44,702            |
| Equities and commingled funds | 111,533           | 105,452           |
| Mutual funds                  | 11,386            | 18,495            |
| Limited partnership interests | 8,513             | 7,881             |
| Emerging markets equity fund  | 6,888             | 4,492             |
| Total                         | <u>\$ 288,830</u> | <u>\$ 289,070</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 such changes could be material.

Investment activity (net of fees) consists of the following for the years ended June 30, 2020 and 2019:

|  | 2020             | 2019             |
|--|------------------|------------------|
| Realized gain  | \$ 3,110         | \$ 4,136         |
| Unrealized (loss) gain                                     | (2,306)          | 4,446            |
| Interest and dividends (net of investment fees)            | (299)            | 862              |
| Total  | <u>\$ 505</u>    | <u>\$ 9,444</u>  |
| Amounts used in support of operations:                     |                  |                  |
| Amounts appropriated from the endowment used in operations | \$ 10,768        | \$ 1,186         |
| Additional investment returns used in operations           | 2,269            | 8,258            |
| Accumulated gains used in operations                       | -                | 4,283            |
| Total  | <u>\$ 13,037</u> | <u>\$ 13,727</u> |

Investment fees amounted to approximately \$2,625 and \$2,450 for the years ended June 30, 2020 and 2019, respectively.

**The Children's Aid Society**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**  
*(in thousands)*

**NOTE 7 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consists of the following as of June 30, 2020 and 2019:

|   | 2020       | 2019      |
|---|------------|-----------|
| Land  | \$ 5,656   | \$ 5,782  |
| Building and improvements                       | 68,778     | 70,736    |
| Furniture and equipment                         | 11,334     | 11,311    |
| Leasehold improvements                          | 7,288      | 7,295     |
| Construction-in-progress                        | 54,498     | 5,056     |
| Total costs                                     | 147,554    | 100,180   |
| Less: Accumulated depreciation and amortization | (31,070)   | (30,993)  |
| Net book value                                  | \$ 116,484 | \$ 69,187 |

Depreciation amounted to \$3,290 and \$3,353 for the years ended June 30, 2020 and 2019, respectively.

Construction-in-progress relates primarily to the purchase and construction of the building located at 117 West 124<sup>th</sup> Street, New York, New York. The new construction of the Children's Aid headquarters as of June 30, 2020 totaling \$47,300 includes the purchase and build-out of the new headquarters. Also included in construction-in-progress are leased office improvements, and facility renovations. Once completed, the cost of the building and related betterments will be placed into service and transferred to buildings and improvements and depreciated effective July 1, 2020.

**NOTE 8 - ENDOWMENT NET ASSETS**

Endowment net assets consist of donor-restricted endowment funds. As required by U.S. 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the primary distribution for current spending was 5.00% and 5.25%, 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. For the years ended June 30, 2020 and 2019, the amount appropriated from the endowment investments for operations totaled \$13,037 and \$13,727, respectively.

Endowment funds are classified as follows:

|  | <u>2020</u>     | <u>2019</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> |

Changes in endowment investments for year ended June 30, 2020 follow:

|  | <u>Without donor<br/>restrictions</u> | <u>With donor restrictions</u> |                      | <u>Total</u>    |
|--|---------------------------------------|--------------------------------|----------------------|-----------------|
|  |                                       | <u>Accumulated<br/>gains</u>   | <u>Original gift</u> |                 |
| Endowment net assets,<br>July 1, 2019  | \$ 9,524                              | \$ 1,388                       | \$ 6,811             | \$ 17,723       |
| Activity:                              |                                       |                                |                      |                 |
| Additions/contributions                | 1,126                                 | -                              | -                    | 1,126           |
| Net gains (realized and<br>unrealized) | -                                     | 19                             | -                    | 19              |
| Appropriated for operations            | <u>(10,631)</u>                       | <u>(137)</u>                   | <u>-</u>             | <u>(10,768)</u> |
| Total activity                         | <u>(9,505)</u>                        | <u>(118)</u>                   | <u>-</u>             | <u>(9,623)</u>  |
| Endowment net assets,<br>July 30, 2020 | <u>\$ 19</u>                          | <u>\$ 1,270</u>                | <u>\$ 6,811</u>      | <u>\$ 8,100</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

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

|  | Without donor<br>restrictions | With donor restrictions |               | Total         |
|--|-------------------------------|-------------------------|---------------|---------------|
|  |                               | Accumulated<br>gains    | Original gift |               |
| Endowment net assets,<br>July 1, 2018      | \$ 9,762                      | \$ 1,334                | \$ 6,811      | \$ 17,907     |
| Activity:                                  |                               |                         |               |               |
| Additions/contributions                    | 811                           | -                       | -             | 811           |
| Net gains (realized and<br>unrealized)     | -                             | 191                     | -             | 191           |
| Appropriated for operations                | (1,049)                       | (137)                   | -             | (1,186)       |
| <br>Total activity                         | <br>(238)                     | <br>54                  | <br>-         | <br>(184)     |
| <br>Endowment net assets,<br>July 30, 2019 | <br>\$ 9,524                  | <br>\$ 1,388            | <br>\$ 6,811  | <br>\$ 17,723 |

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, 2020 and 2019, 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, 2020 and 2019, endowment earnings with donor stipulations amounted to \$19 and \$191, respectively, and are classified as net assets with donor restrictions.

The accumulated gains represent the realized and unrealized gains on investment in the permanently restricted fund as well as the appropriated expenditures based on the Agencies' investment and spending policy as adopted by the Board of Trustees. This balance has been tracked since July 1, 2010 along with the activity in the endowment without donor restrictions.

In accordance with U.S. 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 or NYPMIFA requires Children's Aid to retain in perpetuity. Deficiencies of this nature may result from unfavorable market fluctuations that may have affected the donor-restricted fund where the fair value of the donor-restricted fund fell below the amount that is required to be retained permanently. As of June 30, 2020 and 2019, 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, 2020 and 2019, respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

**NOTE 9 - NET ASSETS**

Net assets with donor restrictions related to time and purpose consist of the following as of June 30, 2020 and 2019:

|                                       | 2020             | 2019             |
|---------------------------------------|------------------|------------------|
| Time restricted/other                 | \$ 592           | \$ 1,050         |
| Child Welfare and Family Services     | 1,030            | 1,669            |
| Early Childhood                       | 88               | 1,541            |
| Health and Wellness                   | 98               | 1,033            |
| National Center for Community Schools | 1,226            | 116              |
| Youth                                 | 6,112            | 10,666           |
| Donor-restricted endowment            | 6,811            | 6,811            |
|                                       | <u>6,811</u>     | <u>6,811</u>     |
| Total                                 | <u>\$ 15,957</u> | <u>\$ 22,886</u> |

Net assets totaling \$17,687 and \$9,876 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2020 and 2019, respectively. There is a real estate reserve designated by the Board to support real estate activities including transitional rent expense and capital construction project costs.

|   | 2020             | 2019            |
|---|------------------|-----------------|
| Passage of time                           | \$ 2,168         | \$ 1,670        |
| Youth Programs                            | 9,075            | 5,436           |
| Child welfare and family service programs | 1,910            | 828             |
| Early childhood programs                  | 2,388            | 432             |
| Health and wellness programs              | 1,586            | 1,380           |
| National center for community schools     | 560              | 130             |
|   | <u>560</u>       | <u>130</u>      |
| Total                                     | <u>\$ 17,687</u> | <u>\$ 9,876</u> |

**NOTE 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 hired after July 1, 2010. The plan was further amended effective September 13, 2018 to freeze benefit accruals in the Plan effective December 31, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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(in thousands)

The funded status of the Plans at June 30, 2020 is as follows:

|  | Pension<br>benefits | Post-retirement<br>benefits | Total            |
|--|---------------------|-----------------------------|------------------|
| Change in benefit obligation:                  |                     |                             |                  |
| Benefit obligation at beginning of year        | \$ 108,075          | \$ 12,478                   | \$ 120,553       |
| Interest cost                                  | 3,788               | 442                         | 4,230            |
| Service cost                                   | -                   | 366                         | 366              |
| Actuarial loss                                 | 17,666              | 1,231                       | 18,897           |
| Benefits paid                                  | (3,040)             | (173)                       | (3,213)          |
|  | <u>126,489</u>      | <u>14,344</u>               | <u>140,833</u>   |
| Benefit obligation at end of year              |                     |                             |                  |
|  | <u>126,489</u>      | <u>14,344</u>               | <u>140,833</u>   |
| Change in plan assets:                         |                     |                             |                  |
| Fair value of plan assets at beginning of year | 67,684              | -                           | 67,684           |
| Actual return on plan assets                   | 1,309               | -                           | 1,309            |
| Employer contributions                         | 2,572               | -                           | 2,572            |
| Benefits paid                                  | (3,040)             | -                           | (3,040)          |
|  | <u>68,525</u>       | <u>-</u>                    | <u>68,525</u>    |
| Fair value of plan assets at end of year       | <u>68,525</u>       | <u>-</u>                    | <u>68,525</u>    |
| Unfunded status                                | <u>\$ 57,964</u>    | <u>\$ 14,344</u>            | <u>\$ 72,308</u> |

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

|  | Pension<br>benefits | Post-retirement<br>benefits | Pension<br>benefits |
|--|---------------------|-----------------------------|---------------------|
| Change in benefit obligation:                  |                     |                             |                     |
| Benefit obligation at beginning of year        | \$ 109,650          | \$ 11,362                   | \$ 121,012          |
| Interest cost                                  | 4,304               | 471                         | 4,775               |
| Service cost                                   | 977                 | 358                         | 1,335               |
| Actuarial loss                                 | 7,570               | 591                         | 8,161               |
| Benefits paid                                  | (3,229)             | (304)                       | (3,533)             |
| Effect of curtailment                          | (11,197)            | -                           | (11,197)            |
|  | <u>108,075</u>      | <u>12,478</u>               | <u>120,553</u>      |
| Benefit obligation at end of year              |                     |                             |                     |
|  | <u>108,075</u>      | <u>12,478</u>               | <u>120,553</u>      |
| Change in plan assets:                         |                     |                             |                     |
| Fair value of plan assets at beginning of year | 68,493              | -                           | 68,493              |
| Actual return on plan assets                   | 2,420               | -                           | 2,420               |
| Employer contributions                         | -                   | -                           | -                   |
| Benefits paid                                  | (3,229)             | -                           | (3,229)             |
|  | <u>67,684</u>       | <u>-</u>                    | <u>67,684</u>       |
| Fair value of plan assets at end of year       | <u>67,684</u>       | <u>-</u>                    | <u>67,684</u>       |
| Unfunded status                                | <u>\$ 40,391</u>    | <u>\$ 12,478</u>            | <u>\$ 52,869</u>    |



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
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Amounts recognized in net assets without donor restrictions for the Plans consist of the following as of June 30, 2020:

|                           | Pension<br>benefits | Post-retirement<br>benefits | Total            |
|---------------------------|---------------------|-----------------------------|------------------|
| Net actuarial loss (gain) | \$ 52,317           | \$ (4,468)                  | \$ 47,849        |
| Prior service credit      | (522)               | 1,508                       | 986              |
|                           | <u>\$ 51,795</u>    | <u>\$ (2,960)</u>           | <u>\$ 48,835</u> |

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

|                           | Pension<br>benefits | Post-retirement<br>benefits | Total            |
|---------------------------|---------------------|-----------------------------|------------------|
| Net actuarial loss (gain) | \$ 34,841           | \$ (5,405)                  | \$ 29,436        |
| Prior service credit      | (696)               | 937                         | 241              |
|                           | <u>\$ 34,145</u>    | <u>\$ (4,468)</u>           | <u>\$ 29,677</u> |

The components of net periodic benefit cost for the Plans for the year ended June 30, 2020 are as follows:

|                                      | Pension<br>benefits | Post-retirement<br>benefits | Total           |
|--------------------------------------|---------------------|-----------------------------|-----------------|
| Interest cost                        | \$ 3,788            | \$ 442                      | \$ 4,230        |
| Service cost                         | -                   | 366                         | 366             |
| Expected return on plan assets       | (4,180)             | -                           | (4,180)         |
| Amortization of net loss (gain)      | 3,061               | (196)                       | 2,865           |
| Amortization of prior service cost   | -                   | (82)                        | (82)            |
| Amortization of net transition asset | (174)               | -                           | (174)           |
| Effect of curtailment                | -                   | -                           | -               |
|                                      | <u>\$ 2,495</u>     | <u>\$ 530</u>               | <u>\$ 3,025</u> |

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

|                                      | Pension<br>benefits | Post-retirement<br>benefits | Total           |
|--------------------------------------|---------------------|-----------------------------|-----------------|
| Interest cost                        | \$ 4,304            | \$ 471                      | \$ 4,775        |
| Service cost                         | 977                 | 358                         | 1,335           |
| Expected return on plan assets       | (4,044)             | -                           | (4,044)         |
| Amortization of net loss (gain)      | 2,999               | (264)                       | 2,735           |
| Amortization of prior service cost   | (12)                | (82)                        | (94)            |
| Amortization of net transition asset | (174)               | -                           | (174)           |
| Effect of curtailment                | (100)               | -                           | (100)           |
|                                      | <u>\$ 3,950</u>     | <u>\$ 483</u>               | <u>\$ 4,433</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the year ended June 30, 2020 are as follows:

|   | Pension<br>benefits | Post-retirement<br>benefits | Total            |
|---|---------------------|-----------------------------|------------------|
| Net loss  | \$ 17,476           | \$ 1,427                    | \$ 18,903        |
| Amortization of prior service cost                                  | 174                 | 82                          | 256              |
| Total recognized in change in net assets without donor restrictions | <u>\$ 17,650</u>    | <u>\$ 1,509</u>             | <u>\$ 19,159</u> |

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

|   | Pension<br>benefits | Post-retirement<br>benefits | Total             |
|---|---------------------|-----------------------------|-------------------|
| Net loss  | \$ 6,195            | \$ 855                      | \$ 7,050          |
| Amortization of prior service cost                                  | 174                 | 82                          | 256               |
| Amortization of transition asset                                    | 113                 | -                           | 113               |
| Effect of curtailment   | (11,197)            | -                           | (11,197)          |
| Total recognized in change in net assets without donor restrictions | <u>\$ (4,715)</u>   | <u>\$ 937</u>               | <u>\$ (3,778)</u> |

For the years ended June 30, 2020 and 2019, Children's Aid made total contributions of \$2,572 and \$0, respectively, into the defined-benefit pension plan and expects to meet the minimum required contributions for the plan years 2021 and 2022.

The weighted average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2020 and 2019 are as follows:

|                                | 2020  | 2019  |
|--------------------------------|-------|-------|
| Discount rate                  | 2.80% | 3.57% |
| Expected return on plan assets | 6.24% | 6.30% |
| Salary increase                | 0.00% | 2.50% |

The weighted average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2020 and 2019 are as follows:

|                                | 2020  | 2019  |
|--------------------------------|-------|-------|
| Discount rate                  | 2.86% | 3.60% |
| Expected return on plan assets | 0.00% | 0.00% |
| Salary increase                | 3.00% | 3.00% |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

The assumed health care cost trend rate at June 30, 2020 is 4.04%. Increasing the assumed medical care cost trend rate by 1% would increase the accumulated postretirement benefit obligation by \$2,552 as of June 30, 2020, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2020 by \$169.

Decreasing the assumed health care cost trend rate by 1% would decrease the accumulated postretirement benefit obligation by \$1,980 as of June 30, 2020, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2020 by \$129.

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:

|           | Pension<br>benefits | Post-retirement<br>benefits |
|-----------|---------------------|-----------------------------|
| 2021      | \$ 4,133            | \$ 387                      |
| 2022      | 4,138               | 401                         |
| 2023      | 4,259               | 412                         |
| 2024      | 4,370               | 422                         |
| 2025      | 4,475               | 438                         |
| 2026-2029 | 24,543              | 2,517                       |

The defined benefit plan assets reported at fair value at June 30, 2020 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:

|                                  | Level 1          | Level 2     | Level 3     | NAV              | Total            |
|----------------------------------|------------------|-------------|-------------|------------------|------------------|
| Cash and money market funds      | \$ 5,165         | \$ -        | \$ -        | \$ -             | \$ 5,165         |
| Equity securities                | 23,690           | -           | -           | 10,279           | 33,969           |
| Fixed income                     | 12,272           | -           | -           | -                | 12,272           |
| Real estate/private capital      | 1,054            | -           | -           | 16,065           | 17,119           |
| Total investments, at fair value | <u>\$ 42,181</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,344</u> | <u>\$ 68,525</u> |

The following table sets forth additional disclosures of Children's Aid's defined benefit plan investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2020.

| Type                        | NAV in funds     | # of funds | \$ Amount of<br>unfunded<br>commitments | Redemption<br>frequency | Redemption<br>restrictions                                    | Redemption<br>notice period |
|-----------------------------|------------------|------------|---|-------------------------|---|-----------------------------|
| Real estate/private capital | \$ 16,065        | 5          | \$ -                                    | Daily to Annual         | 1 Year Hard,<br>1 Year Soft,<br>5% early<br>withdrawal<br>fee | 2 to 90 days                |
| Emerging markets equities   | 10,279           | 6          | -                                       | Quarterly               | None  | 30 days                     |
|                             | <u>\$ 26,344</u> | <u>11</u>  | <u>\$ -</u>                             |                         |   |                             |

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June 30, 2020 and 2019  
(in thousands)

The defined benefit plan assets reported at fair value at June 30, 2019 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      | \$ 1,549         | \$ -        | \$ -        | \$ -             | \$ 1,549         |
| Equity securities                | 24,253           | -           | -           | 9,632            | 33,885           |
| Fixed income                     | 9,364            | -           | -           | -                | 9,364            |
| Real estate/private capital      | 1,019            | -           | -           | 21,867           | 22,886           |
| Total investments, at fair value | <u>\$ 36,185</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,499</u> | <u>\$ 67,684</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, 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 equities   | 9,632            | 5          | -                                 | Quarterly            | None  | 30 days                  |
|                             | <u>\$ 31,499</u> | <u>12</u>  | <u>\$ -</u>                       |                      |   |                          |

During the year ended June 30, 2020, the investment strategy and objective of the defined benefit plan assets whose fair value is estimated using NAV per share are as follows:

*Real estate/private capital* - the investment objective is to target traditional and non-traditional sources of above average returns by employing a diverse set of catalyst-driven absolute return strategies that are intended to be correlated to each other and to the major indices. Investments expect to hold both long and short positions in a broad range of debt and equity securities, derivatives and other financial instruments on a global basis.

*Emerging Markets Equities* – includes diverse investments providing long-term capital appreciation by investing primarily in global emerging markets. Investment research concentrates on companies exhibiting strong growth characteristics at reasonable valuations with good liquidity.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Children's Aid leases several premises under operating lease agreements.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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(in thousands)

Future minimum required annual lease payments are as follows:

| <u>Year ending June 30,</u> |                  |
|-----------------------------|------------------|
| 2021                        | \$ 4,030         |
| 2022                        | 3,487            |
| 2023                        | 3,312            |
| 2024                        | 2,966            |
| 2025                        | 2,986            |
| Thereafter                  | <u>23,186</u>    |
|                             | <u>\$ 39,967</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.

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.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its long-term impact on the Agency's donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Agency's financial position and changes in net assets and cash flows is uncertain, and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

**NOTE 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 \$19,285 and \$6,863, as of June 30, 2020 and 2019, respectively.

**The Children's Aid Society**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**  
*(in thousands)*

**NOTE 13 - RELATED-PARTY TRANSACTIONS**

In fiscal year 2012, Children's Aid started the Children's Aid College Prep Charter School ("Charter School"). The Charter School is an affiliated party through a minority number of overlapping Board of Trustees 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 also pays an administrative fee equal to 7.5% (2019 - 10.6%) of total operating expenses, excluding rent and depreciation to Children's Aid for the administrative services it provides, which amounted to \$1,084,974 and \$733,958 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the wrap-around services and other changes amounted to \$928,358 and \$883,789, respectively.

1232 Southern Boulevard, LLC ("1232 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 for each of the years ended June 30, 2020 and 2019. In addition, 1232 Southern Blvd provided \$1,030,000 in donated space to Children's Aid College Prep Charter School for both years.

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 \$92,187 and \$646,950 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the Charter School owed \$718,120 and \$432,059, respectively, to Children's Aid.

**NOTE 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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(in thousands)

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, 2020 and 2019, there were no transfers in or out of Levels 1, 2 or 3.

Financial assets reported at fair value at June 30, 2020 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      | \$ 21,960         | \$ -           | \$ -           | \$ -              | \$ 21,960         |
| Equity securities:               |                   |                |                |                   |                   |
| Global equity                    | 64,079            | -              | -              | -                 | 64,079            |
| Total equity securities          | 64,079            | -              | -              | -                 | 64,079            |
| Fixed income:                    |                   |                |                |                   |                   |
| Mutual funds                     | 28,462            | -              | -              | -                 | 28,462            |
| Total fixed income               | 28,462            | -              | -              | -                 | 28,462            |
| Alternative investments:         |                   |                |                |                   |                   |
| Private capital                  | -                 | -              | -              | 14,169            | 14,169            |
| Limited partnership              | -                 | -              | -              | 8,513             | 8,513             |
| Global equity                    | -                 | -              | -              | 42,391            | 42,391            |
| International commingled funds   | -                 | -              | -              | 16,022            | 16,022            |
| U.S. commingled funds            | -                 | -              | -              | 53,120            | 53,120            |
| Mutual funds                     | -                 | -              | -              | 11,386            | 11,386            |
| Hedge funds                      | -                 | -              | -              | 21,840            | 21,840            |
| Emerging markets equity fund     | -                 | -              | -              | 6,888             | 6,888             |
| Total alternate investments      | -                 | -              | -              | 174,329           | 174,329           |
| Total investments, at fair value | <u>\$ 114,501</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 174,329</u> | <u>\$ 288,830</u> |

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June 30, 2020 and 2019  
(in thousands)

Financial assets carried at fair value at June 30, 2019 are classified as Level 1, Level 2 and Level 3 in the table as follows:

|                                  | Level 1   | Level 2 | Level 3 | NAV        | Total      |
|----------------------------------|-----------|---------|---------|------------|------------|
| 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:         |           |         |         |            |            |
| Private capital                  | -         | -       | -       | 12,016     | 12,016     |
| Limited partnership              | -         | -       | -       | 7,881      | 7,881      |
| Global equity                    | -         | -       | -       | 41,796     | 41,796     |
| International commingled funds   | -         | -       | -       | 21,400     | 21,400     |
| U.S. commingled funds            | -         | -       | -       | 42,256     | 42,256     |
| Mutual funds                     | -         | -       | -       | 18,495     | 18,495     |
| Hedge funds                      | -         | -       | -       | 44,702     | 44,702     |
| Emerging markets equity fund     | -         | -       | -       | 4,492      | 4,492      |
| Total alternate investments      | -         | -       | -       | 193,038    | 193,038    |
| Total investments, at fair value | \$ 96,032 | \$ -    | \$ -    | \$ 193,038 | \$ 289,070 |

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.



The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

The following table sets forth additional disclosures of Children's Aid's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2020.

| Type                           | NAV in funds | # of funds | \$ Amount of unfunded commitments | Redemption frequency            | Redemption restrictions                    | Redemption notice period |
|--------------------------------|--------------|------------|-----------------------------------|---------------------------------|--|--------------------------|
| Private capital                | \$ 14,169    | 2          | \$ -                              | Daily to Annual                 | 1 Year Hard, 1 Year Soft, 5% early w/d fee | 2 to 90 days             |
| Limited partnership            | 8,513        | 1          | -                                 | Semi annual                     | 2 Year Hard                                | 60 days                  |
| Global equity                  | 42,391       | 4          | -                                 | Monthly, quarterly, semi annual | 1 Year Soft, 2.5% early w/d fee            | 60 days                  |
| International commingled funds | 16,022       | 3          | -                                 | Monthly, quarterly, semi annual | None                                       | 10 to 1090 days          |
| U.S. commingled funds          | 53,120       | 8          | -                                 | Daily, monthly, quarterly       | Rolling 1 Year, 2 Year Hard                | 3 to 90 days             |
| Mutual funds                   | 11,386       | 2          | -                                 | Monthly, quarterly              | None                                       | 60 days                  |
| Hedge funds                    | 21,840       | 6          | -                                 | Monthly, annual                 | 1 Year Hard, 2 Year Soft                   | 5 to 90 days             |
| Emerging markets equity fund   | 6,888        | 1          | -                                 | Quarterly                       | 5% early w/d fee                           | 30 days                  |
| Total                          | \$ 174,329   | 27         | \$ -                              |                                 |  |                          |

The following table sets forth additional disclosures of Children's Aid's 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            |
|--------------------------------|--------------|------------|-----------------------------------|---------------------------|--|-------------------------------------|
| 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 9/30/2017 to 30 days |
| Emerging markets equity fund   | 4,492        | 1          | -                                 | Quarterly                 | None   | 30 days                             |
| Total                          | \$ 193,038   | 27         | \$ -                              |                           |  |                                     |

**The Children's Aid Society**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**  
*(in thousands)*

During the year ended June 30, 2020, 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.

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.

**NOTE 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 invested in fixed-income investments and are considered restricted assets. Upon maturity of the charitable gift annuity, the remaining funds are made 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 \$332 and \$1,949 as of June 30, 2020 and 2019, 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 values of the estimated future payments as of June 30, 2020 and 2019, amounted to \$267 and \$1,631, respectively, and have been calculated using discount rates ranging from 0.6% to 2.8% as of June 30, 2020 and 2019, respectively, 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.

## The Children's Aid Society

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

*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 \$1,320 and \$1,820 as of June 30, 2020 and 2019, 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, 2020 and 2019 amounted to \$346 and \$977, respectively. This annuity payment liability has been included in split-interest agreement obligations in the accompanying consolidated statements of financial position.

Income earned by the fund and due to the life beneficiaries as of June 30, 2020 and 2019 amounted to \$14 and \$60, 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, 2020 and 2019.

For the years ended June 30, 2020 and 2019, donors made contributions into the annuity fund. Based on the donor's life expectancy and the applicable discount rate, contributions of approximately \$0 and \$282 for the years ended June 30, 2020 and 2019, respectively, have been recorded in the accompanying consolidated statements of activities.

*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 funds 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, 2020, and 2019, the beneficial interest in the lead trust is \$0 and \$149, respectively, and is included in split-interest agreement assets.

#### **NOTE 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 voluntary salary reduction contributions. For full-time employees hired on or after January 1, 2012, Children's Aid makes employer contributions to the plan after a one-year waiting period. Such contributions amounted to \$2,583 and \$1,722 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019. For the years ended June 30, 2020 and 2019, related benefit costs totaled \$19.5 each year.

**The Children's Aid Society**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**  
*(in thousands)*

**NOTE 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 Children's Aid 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.

On October 3, 2019, the \$7,000 outstanding principal was paid-off with no prepayment penalty. This resulted in a \$513 write-off of deferred financing costs and \$125 in interest expense with \$126 in debt service reserves returned to Children's Aid.

**NOTE 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 \$3,718 at June 30, 2020.

The bonds were issued at a premium of \$3,492. The premium is being amortized over the term of the bonds. For the years ended June 30, 2020 and 2019, amortization amounted to \$111 and \$88, respectively. Deferred financing costs (net of amortization) of \$556 and \$578 as of June 30, 2020 and 2019, respectively, associated with the loan payable are being amortized over the life of the bonds. For the years ended June 30, 2020 and 2019, 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. As construction has been completed, such funds amounted to \$0 as of June 30, 2020 and 2019.

On August 1, 2019, Children's Aid issued 30-year tax-exempt bonds through the Build NYC Resource Corporation in the amount of \$34,420 to finance the planning and construction of its new headquarters located at 117 West 124<sup>th</sup> Street, New York, New York. Children's Aid is the guarantor of the bonds. The bonds have an average coupon rate of approximately 4.04%.

The bonds were issued at a premium of \$4,264. The premium is being amortized over the term of the bonds. For the year ended June 30, 2020, amortization amounted to \$142. Deferred financing costs (net of amortization) of \$710 as of June 30, 2020, associated with the bonds are being amortized over the life of the bonds. For the year ended June 30, 2020, amortization expense amounted to \$24.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019  
(in thousands)

Future annual principal payments of the bonds are as follows for the years subsequent to June 30, 2020:

| <u>Year ending June 30,</u>    |                  |
|--------------------------------|------------------|
| 2021                           | \$ 705           |
| 2022                           | 735              |
| 2023                           | 1,040            |
| 2024                           | 1,090            |
| 2025                           | 1,150            |
| Thereafter                     | <u>64,955</u>    |
| Subtotal                       | <u>69,675</u>    |
| Add: Bond premium, net         | 7,032            |
| Less: Bond issuance costs, net | <u>(1,266)</u>   |
| Total                          | <u>\$ 75,441</u> |

**NOTE 19 - LINE OF CREDIT PAYABLE**

Children's Aid obtained a two-year revolving line of credit facility on December 20, 2019 from JPMorgan Chase Bank in the amount of \$7,500. An availability fee of 0.1% is charged on the unutilized portion of the line of credit. Interest is charged at the rate of the one-month London Inter-Bank Offered Rate ("LIBOR") plus 0.6% on the utilized amount. Children's Aid drew the full amount of the line on March 19, 2020 and the amount remains outstanding at June 30, 2020.

**NOTE 20 - SUBSEQUENT EVENTS**

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the consolidated statements of financial position through December 15, 2020, the date the consolidated financial statements were issued, noting no items which effect the consolidated financial statements.

**SUPPLEMENTAL SCHEDULES**

The Children's Aid Society  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION  
As of June 30, 2020 and 2019  
(in thousands)

|  | As of June 30, 2020    |                            |                          |                          |                            |                    | As of June 30, 2019    |                            |                          |                          |                            |                    |
|--|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------|
|  | Children's Aid Society | 910 East 172nd Street, LLC | 1218 Southern Blvd., LLC | 1232 Southern Blvd., LLC | Consolidating Eliminations | Consolidated Total | Children's Aid Society | 910 East 172nd Street, LLC | 1218 Southern Blvd., LLC | 1232 Southern Blvd., LLC | Consolidating Eliminations | Consolidated Total |
| <b>ASSETS</b>  |                        |                            |                          |                          |                            |                    |                        |                            |                          |                          |                            |                    |
| Cash and cash equivalents                            | \$ 16,961              | \$ 423                     | \$ 3                     | \$ 2,148                 | \$ -                       | \$ 19,535          | \$ 4,392               | \$ 314                     | \$ 3                     | \$ 2,404                 | \$ -                       | \$ 7,113           |
| Accounts and grants receivable, net                  | 58,406                 | 477                        | 10                       | 491                      | (19,441)                   | 39,943             | 41,060                 | 169                        | 10                       | 295                      | (11,796)                   | 29,738             |
| Contributions receivable                             | 1,269                  | -                          | -                        | -                        | -                          | 1,269              | 1,563                  | -                          | -                        | -                        | -                          | 1,563              |
| Debt service reserve                                 | -                      | -                          | -                        | -                        | -                          | -                  | -                      | 126                        | -                        | -                        | -                          | 126                |
| Prepaid expenses and other assets                    | 2,671                  | 31                         | -                        | 15                       | -                          | 2,717              | 2,552                  | 57                         | -                        | 22                       | -                          | 2,631              |
| Facilities acquisition escrow                        | -                      | -                          | -                        | -                        | -                          | -                  | 9,050                  | -                          | -                        | -                        | -                          | 9,050              |
| Investments  | 288,830                | -                          | -                        | -                        | -                          | 288,830            | 289,070                | -                          | -                        | -                        | -                          | 289,070            |
| Split-interest agreement investments                 | 1,652                  | -                          | -                        | -                        | -                          | 1,652              | 3,918                  | -                          | -                        | -                        | -                          | 3,918              |
| Investment in LLC's                                  | 9,002                  | -                          | -                        | -                        | (9,002)                    | -                  | 9,002                  | -                          | -                        | -                        | (9,002)                    | -                  |
| Property and equipment, net                          | 59,547                 | 10,226                     | 1,737                    | 44,974                   | -                          | 116,484            | 10,621                 | 10,617                     | 1,737                    | 46,212                   | -                          | 69,187             |
| Total assets   | <u>\$ 438,338</u>      | <u>\$ 11,157</u>           | <u>\$ 1,750</u>          | <u>\$ 47,628</u>         | <u>\$ (28,443)</u>         | <u>\$ 470,430</u>  | <u>\$ 371,228</u>      | <u>\$ 11,283</u>           | <u>\$ 1,750</u>          | <u>\$ 48,933</u>         | <u>\$ (20,798)</u>         | <u>\$ 412,396</u>  |
| <b>LIABILITIES</b>                                   |                        |                            |                          |                          |                            |                    |                        |                            |                          |                          |                            |                    |
| Accounts payable                                     | \$ 1,634               | \$ 5,453                   | \$ 100                   | \$ 14,174                | \$ (19,441)                | \$ 1,920           | \$ 3,430               | \$ 478                     | \$ 100                   | \$ 11,363                | \$ (11,796)                | \$ 3,575           |
| Accrued expenses                                     | 11,293                 | -                          | -                        | 818                      | -                          | 12,111             | 9,493                  | -                          | -                        | 852                      | -                          | 10,345             |
| Deferred revenue                                     | 9,614                  | -                          | -                        | -                        | -                          | 9,614              | 2,661                  | -                          | -                        | -                        | -                          | 2,661              |
| Split-interest agreement obligations                 | 613                    | -                          | -                        | -                        | -                          | 613                | 2,608                  | -                          | -                        | -                        | -                          | 2,608              |
| Loan payable, net                                    | -                      | -                          | -                        | -                        | -                          | -                  | -                      | 6,487                      | -                        | -                        | -                          | 6,487              |
| Bonds payable, net                                   | 37,832                 | -                          | -                        | 37,609                   | -                          | 75,441             | -                      | -                          | -                        | 38,378                   | -                          | 38,378             |
| Line of credit                                       | 7,500                  | -                          | -                        | -                        | -                          | 7,500              | -                      | -                          | -                        | -                        | -                          | -                  |
| Accrued pension and post-retirement obligations, net | 72,308                 | -                          | -                        | -                        | -                          | 72,308             | 52,869                 | -                          | -                        | -                        | -                          | 52,869             |
| Other liabilities                                    | 3,077                  | -                          | -                        | -                        | -                          | 3,077              | 3,178                  | -                          | -                        | -                        | -                          | 3,178              |
| Total liabilities                                    | <u>143,871</u>         | <u>5,453</u>               | <u>100</u>               | <u>52,601</u>            | <u>(19,441)</u>            | <u>182,584</u>     | <u>74,239</u>          | <u>6,965</u>               | <u>100</u>               | <u>50,593</u>            | <u>(11,796)</u>            | <u>120,101</u>     |
| <b>NET ASSETS (Note 2)</b>                           |                        |                            |                          |                          |                            |                    |                        |                            |                          |                          |                            |                    |
| Without donor restrictions                           | 278,510                | 5,704                      | 1,650                    | (4,973)                  | (9,002)                    | 271,889            | 274,103                | 4,318                      | 1,650                    | (1,660)                  | (9,002)                    | 269,409            |
| With donor restrictions                              | 15,957                 | -                          | -                        | -                        | -                          | 15,957             | 22,886                 | -                          | -                        | -                        | -                          | 22,886             |
| Total net assets                                     | <u>294,467</u>         | <u>5,704</u>               | <u>1,650</u>             | <u>(4,973)</u>           | <u>(9,002)</u>             | <u>287,846</u>     | <u>296,989</u>         | <u>4,318</u>               | <u>1,650</u>             | <u>(1,660)</u>           | <u>(9,002)</u>             | <u>292,295</u>     |
| Total liabilities and net assets                     | <u>\$ 438,338</u>      | <u>\$ 11,157</u>           | <u>\$ 1,750</u>          | <u>\$ 47,628</u>         | <u>\$ (28,443)</u>         | <u>\$ 470,430</u>  | <u>\$ 371,228</u>      | <u>\$ 11,283</u>           | <u>\$ 1,750</u>          | <u>\$ 48,933</u>         | <u>\$ (20,798)</u>         | <u>\$ 412,396</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, 2020  
*(in thousands)*

|   | Children's Aid Society        |                            |                   |                               |                             |                             |                               | Consolidated Total            |                            |                   |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|----------------------------|-------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             | 910 East 172nd<br>Street, LLC | 1218 Southern<br>Blvd., LLC | 1232 Southern<br>Blvd., LLC | Consolidating<br>Eliminations | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
| <b>Operating revenue and support</b>                          |                               |                            |                   |                               |                             |                             |                               |                               |                            |                   |
| Government support  | \$ 88,328                     | \$ -                       | \$ 88,328         | \$ -                          | \$ -                        | \$ -                        | \$ -                          | \$ 88,328                     | \$ -                       | \$ 88,328         |
| Program services fees and dues                                | 10,918                        | -                          | 10,918            | -                             | -                           | -                           | -                             | 10,918                        | -                          | 10,918            |
| Contributions   | 13,484                        | 10,850                     | 24,334            | -                             | -                           | -                           | -                             | 13,484                        | 10,850                     | 24,334            |
| Planned giving  | 610                           | -                          | 610               | -                             | -                           | -                           | -                             | 610                           | -                          | 610               |
| Rental income   | 40                            | -                          | 40                | 1,198                         | -                           | 1,167                       | (692)                         | 1,713                         | -                          | 1,713             |
| Investment return used for operations and special initiatives | 13,037                        | -                          | 13,037            | -                             | -                           | -                           | -                             | 13,037                        | -                          | 13,037            |
| Other revenue   | 3,070                         | (92)                       | 2,978             | 2,168                         | -                           | 2                           | -                             | 5,240                         | (92)                       | 5,148             |
| In-kind contributions   | 1,192                         | -                          | 1,192             | -                             | -                           | 1,030                       | -                             | 2,222                         | -                          | 2,222             |
| 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          | 17,687                        | (17,687)                   | -                 | -                             | -                           | -                           | -                             | 17,687                        | (17,687)                   | -                 |
| <b>Total operating revenue and support</b>                    | <b>150,092</b>                | <b>(6,929)</b>             | <b>143,163</b>    | <b>3,366</b>                  | <b>-</b>                    | <b>2,199</b>                | <b>(692)</b>                  | <b>154,965</b>                | <b>(6,929)</b>             | <b>148,036</b>    |
| <b>Operating expenses</b>                                     |                               |                            |                   |                               |                             |                             |                               |                               |                            |                   |
| Program services  |                               |                            |                   |                               |                             |                             |                               |                               |                            |                   |
| Early Childhood   | 17,403                        | -                          | 17,403            | -                             | -                           | -                           | -                             | 17,403                        | -                          | 17,403            |
| Youth   | 29,136                        | -                          | 29,136            | -                             | -                           | 5,512                       | -                             | 34,648                        | -                          | 34,648            |
| Health and Wellness   | 18,307                        | -                          | 18,307            | 990                           | -                           | -                           | (346)                         | 18,951                        | -                          | 18,951            |
| Child Welfare and Family Services                             | 47,332                        | -                          | 47,332            | 990                           | -                           | -                           | (346)                         | 47,976                        | -                          | 47,976            |
| Collective Impact & National Center for Community Schools     | 2,082                         | -                          | 2,082             | -                             | -                           | -                           | -                             | 2,082                         | -                          | 2,082             |
| <b>Total program services</b>                                 | <b>114,260</b>                | <b>-</b>                   | <b>114,260</b>    | <b>1,980</b>                  | <b>-</b>                    | <b>5,512</b>                | <b>(692)</b>                  | <b>121,060</b>                | <b>-</b>                   | <b>121,060</b>    |
| Supporting services   |                               |                            |                   |                               |                             |                             |                               |                               |                            |                   |
| Management and general  | 21,817                        | -                          | 21,817            | -                             | -                           | -                           | -                             | 21,817                        | -                          | 21,817            |
| Fundraising   | 3,396                         | -                          | 3,396             | -                             | -                           | -                           | -                             | 3,396                         | -                          | 3,396             |
| <b>Total supporting services</b>                              | <b>25,213</b>                 | <b>-</b>                   | <b>25,213</b>     | <b>-</b>                      | <b>-</b>                    | <b>-</b>                    | <b>-</b>                      | <b>25,213</b>                 | <b>-</b>                   | <b>25,213</b>     |
| <b>Total operating expenses</b>                               | <b>139,473</b>                | <b>-</b>                   | <b>139,473</b>    | <b>1,980</b>                  | <b>-</b>                    | <b>5,512</b>                | <b>(692)</b>                  | <b>146,273</b>                | <b>-</b>                   | <b>146,273</b>    |
| <b>Changes in net assets from operations</b>                  | <b>10,619</b>                 | <b>(6,929)</b>             | <b>3,690</b>      | <b>1,386</b>                  | <b>-</b>                    | <b>(3,313)</b>              | <b>-</b>                      | <b>8,692</b>                  | <b>(6,929)</b>             | <b>1,763</b>      |
| <b>Non-operating activities (Note 2)</b>                      |                               |                            |                   |                               |                             |                             |                               |                               |                            |                   |
| Net assets released from the real estate net asset fund       | (1,726)                       | -                          | (1,726)           | -                             | -                           | -                           | -                             | (1,726)                       | -                          | (1,726)           |
| Investment return less amount used for operations             | (12,532)                      | -                          | (12,532)          | -                             | -                           | -                           | -                             | (12,532)                      | -                          | (12,532)          |
| Adjustment to obligation under split-interest agreements      | 412                           | -                          | 412               | -                             | -                           | -                           | -                             | 412                           | -                          | 412               |
| Pension related changes other than net periodic pension costs | (19,159)                      | -                          | (19,159)          | -                             | -                           | -                           | -                             | (19,159)                      | -                          | (19,159)          |
| Gain on sale of assets  | 26,793                        | -                          | 26,793            | -                             | -                           | -                           | -                             | 26,793                        | -                          | 26,793            |
| <b>Changes in net assets from non-operating activities</b>    | <b>(6,212)</b>                | <b>-</b>                   | <b>(6,212)</b>    | <b>-</b>                      | <b>-</b>                    | <b>-</b>                    | <b>-</b>                      | <b>(6,212)</b>                | <b>-</b>                   | <b>(6,212)</b>    |
| <b>Changes in total net assets</b>                            | <b>4,407</b>                  | <b>(6,929)</b>             | <b>(2,522)</b>    | <b>1,386</b>                  | <b>-</b>                    | <b>(3,313)</b>              | <b>-</b>                      | <b>2,480</b>                  | <b>(6,929)</b>             | <b>(4,449)</b>    |
| Net assets - beginning of year                                | 274,103                       | 22,886                     | 296,989           | 4,318                         | 1,650                       | (1,660)                     | (9,002)                       | 269,409                       | 22,886                     | 292,295           |
| <b>Net assets - end of year</b>                               | <b>\$ 278,510</b>             | <b>\$ 15,957</b>           | <b>\$ 294,467</b> | <b>\$ 5,704</b>               | <b>\$ 1,650</b>             | <b>\$ (4,973)</b>           | <b>\$ (9,002)</b>             | <b>\$ 271,889</b>             | <b>\$ 15,957</b>           | <b>\$ 287,846</b> |

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)

|   | 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           |
| <b>Operating revenue and support</b>                          |                            |                         |                 |                            |                             |                             |                            |                            |                         |                 |
| 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          |
| Planned giving  | 2,528                      | 47                      | 2,575           | -                          | -                           | -                           | -                          | 2,528                      | 47                      | 2,575           |
| Rental income   | 43                         | -                       | 43              | 996                        | 7                           | 1,265                       | (552)                      | 1,759                      | -                       | 1,759           |
| Investment return used for operations and special initiatives | 13,727                     | -                       | 13,727          | -                          | -                           | -                           | -                          | 13,727                     | -                       | 13,727          |
| Other revenue   | 2,635                      | -                       | 2,635           | 1                          | -                           | 2                           | -                          | 2,638                      | -                       | 2,638           |
| In-kind contributions   | 1,339                      | -                       | 1,339           | -                          | -                           | 1,030                       | -                          | 2,369                      | -                       | 2,369           |
| 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)                 | -               |
| <b>Total operating revenue and support</b>                    | <b>127,163</b>             | <b>(1,492)</b>          | <b>125,671</b>  | <b>997</b>                 | <b>7</b>                    | <b>2,297</b>                | <b>(552)</b>               | <b>129,912</b>             | <b>(1,492)</b>          | <b>128,420</b>  |
| <b>Operating expenses</b>                                     |                            |                         |                 |                            |                             |                             |                            |                            |                         |                 |
| Program services  |                            |                         |                 |                            |                             |                             |                            |                            |                         |                 |
| Early Childhood   | 16,861                     | -                       | 16,861          | -                          | -                           | -                           | -                          | 16,861                     | -                       | 16,861          |
| Youth   | 30,370                     | -                       | 30,370          | -                          | -                           | 5,017                       | -                          | 35,387                     | -                       | 35,387          |
| 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          |
| Collective Impact & National Center for Community Schools     | 1,056                      | -                       | 1,056           | -                          | -                           | -                           | -                          | 1,056                      | -                       | 1,056           |
| <b>Total program services</b>                                 | <b>109,892</b>             | <b>-</b>                | <b>109,892</b>  | <b>1,131</b>               | <b>-</b>                    | <b>5,017</b>                | <b>(552)</b>               | <b>115,488</b>             | <b>-</b>                | <b>115,488</b>  |
| Supporting services   |                            |                         |                 |                            |                             |                             |                            |                            |                         |                 |
| Management and general  | 19,892                     | -                       | 19,892          | -                          | -                           | -                           | -                          | 19,892                     | -                       | 19,892          |
| Fundraising   | 3,968                      | -                       | 3,968           | -                          | -                           | -                           | -                          | 3,968                      | -                       | 3,968           |
| <b>Total supporting services</b>                              | <b>23,860</b>              | <b>-</b>                | <b>23,860</b>   | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>-</b>                   | <b>23,860</b>              | <b>-</b>                | <b>23,860</b>   |
| <b>Total operating expenses</b>                               | <b>133,752</b>             | <b>-</b>                | <b>133,752</b>  | <b>1,131</b>               | <b>-</b>                    | <b>5,017</b>                | <b>(552)</b>               | <b>139,348</b>             | <b>-</b>                | <b>139,348</b>  |
| Changes in net assets from operations                         | (6,589)                    | (1,492)                 | (8,081)         | (134)                      | 7                           | (2,720)                     | -                          | (9,436)                    | (1,492)                 | (10,928)        |
| <b>Non-operating activities (Note 2)</b>                      |                            |                         |                 |                            |                             |                             |                            |                            |                         |                 |
| Net assets released from the real estate net asset fund       | (1,726)                    | -                       | (1,726)         | -                          | -                           | -                           | -                          | (1,726)                    | -                       | (1,726)         |
| Investment return less 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           |
| Gain on sale of assets  | -                          | -                       | -               | -                          | -                           | -                           | -                          | -                          | -                       | -               |
| <b>Changes in net assets from non-operating activities</b>    | <b>(2,665)</b>             | <b>-</b>                | <b>(2,665)</b>  | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>-</b>                   | <b>(2,665)</b>             | <b>-</b>                | <b>(2,665)</b>  |
| <b>Changes in total net assets</b>                            | <b>(9,254)</b>             | <b>(1,492)</b>          | <b>(10,746)</b> | <b>(134)</b>               | <b>7</b>                    | <b>(2,720)</b>              | <b>-</b>                   | <b>(12,101)</b>            | <b>(1,492)</b>          | <b>(13,593)</b> |
| 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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