



**Children's Aid Society
Southern Pennsylvania District -
Church of the Brethren**

Financial Statements

June 30, 2024 and 2023



**Children's Aid Society
Southern Pennsylvania District - Church of the Brethren**

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June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Children's Aid Society Southern Pennsylvania District - Church of the Brethren (the Organization), which comprise the statement of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

December 20, 2024
Mechanicsburg, Pennsylvania

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Financial Position

| | June 30, | |
|---|---------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 20,276 | \$ 15,057 |
| Cash and cash equivalents - restricted | 177,144 | 54,994 |
| Restricted investments - certificates of deposit | 1,794,983 | 1,982,434 |
| Investments | 729,863 | 683,280 |
| Current portion of pledges receivable, net | 256,139 | 245,227 |
| Accounts receivable | 195,341 | 111,182 |
| Prepaid expenses | 4,597 | 4,597 |
| Total Current Assets | <u>3,178,343</u> | <u>3,096,771</u> |
| Property and Equipment, Net | <u>1,764,160</u> | <u>1,407,469</u> |
| Other Assets | | |
| Beneficial interest in perpetual trusts | 1,216,660 | 689,572 |
| Pledges receivable, net of unamortized discount | 447,998 | 662,872 |
| Endowment Funds | | |
| Investments | 432,380 | 372,022 |
| Beneficial interest in community foundation funds | 401,482 | 376,255 |
| Cash value of life insurance | 22,695 | 21,831 |
| Total Other Assets | <u>2,521,215</u> | <u>2,122,552</u> |
| Total Assets | <u>\$ 7,463,718</u> | <u>\$ 6,626,792</u> |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Financial Position (continued)

| | June 30, | |
|--|---------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| <i>Liabilities and Net Assets</i> | | |
| Current Liabilities | | |
| Current portion of obligations under trust and annuity agreements | \$ 552 | \$ 607 |
| Accounts payable | 25,880 | 44,188 |
| Accrued expenses | 75,014 | 67,968 |
| Deferred revenue | 11,516 | 11,516 |
| | <u>112,962</u> | <u>124,279</u> |
| Total Current Liabilities | | |
| Long-Term Liabilities | | |
| Obligations under Trust and Annuity Agreements, net of current portion | 5,571 | 5,738 |
| Long-term debt | 55,424 | - |
| | <u>60,995</u> | <u>5,738</u> |
| Total Long-Term Liabilities | | |
| | <u>173,957</u> | <u>130,017</u> |
| Total Liabilities | | |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 2,524,236 | 1,750,586 |
| Board designated | 525,000 | 469,594 |
| With donor restrictions | 4,240,525 | 4,276,595 |
| | <u>7,289,761</u> | <u>6,496,775</u> |
| Total Net Assets | | |
| | <u>7,463,718</u> | <u>6,626,792</u> |
| Total Liabilities and Net Assets | | |
| | <u>\$ 7,463,718</u> | <u>\$ 6,626,792</u> |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Activities

Year Ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and Revenues | | | |
| Program service revenue | \$ 813,020 | \$ - | \$ 813,020 |
| Contributions | 490,845 | 508,521 | 999,366 |
| In-kind contributions | - | 460,500 | 460,500 |
| Grants | - | 205,474 | 205,474 |
| Fundraising - net of direct costs | 108,933 | - | 108,933 |
| Net investment income | 226,809 | 30,465 | 257,274 |
| Change in beneficial interest in perpetual trusts | - | 66,588 | 66,588 |
| Change in beneficial interest in community foundation funds | 25,227 | - | 25,227 |
| Other income | 104 | - | 104 |
| Net assets released from restrictions | 1,307,618 | (1,307,618) | - |
| Total Support and Revenues | <u>2,972,556</u> | <u>(36,070)</u> | <u>2,936,486</u> |
| Expenses | | | |
| Program services | 1,733,718 | - | 1,733,718 |
| Management and general | 278,905 | - | 278,905 |
| Fundraising | 130,877 | - | 130,877 |
| Total Expenses | <u>2,143,500</u> | <u>-</u> | <u>2,143,500</u> |
| Change in Net Assets | 829,056 | (36,070) | 792,986 |
| Merger of Cornerstone Youth Home | - | - | - |
| Net Assets at Beginning of Year | <u>2,220,180</u> | <u>4,276,595</u> | <u>6,496,775</u> |
| Net Assets at End of Year | <u>\$ 3,049,236</u> | <u>\$ 4,240,525</u> | <u>\$ 7,289,761</u> |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Activities (continued)
Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and Revenues | | | |
| Program service revenue | \$ 783,674 | \$ - | \$ 783,674 |
| Contributions | 198,081 | 587,767 | 785,848 |
| In-kind contributions | - | 110,000 | 110,000 |
| Grants | - | 1,747,615 | 1,747,615 |
| Fundraising - net of direct costs | 109,137 | - | 109,137 |
| Net investment income | 124,889 | 19,420 | 144,309 |
| Change in beneficial interest in perpetual trusts | - | 266 | 266 |
| Change in beneficial interest in community foundation funds | 14,424 | - | 14,424 |
| Other income | 15,292 | - | 15,292 |
| Net assets released from restrictions | 789,583 | (789,583) | - |
| Total Support and Revenues | 2,035,080 | 1,675,485 | 3,710,565 |
| Expenses | | | |
| Program services | 1,628,388 | - | 1,628,388 |
| Management and general | 288,353 | - | 288,353 |
| Fundraising | 138,671 | - | 138,671 |
| Total Expenses | 2,055,412 | - | 2,055,412 |
| Change in Net Assets | (20,332) | 1,675,485 | 1,655,153 |
| Merger of Cornerstone Youth Home | 580,087 | - | 580,087 |
| Net Assets at Beginning of Year | 1,660,425 | 2,601,110 | 4,261,535 |
| Net Assets at End of Year | \$ 2,220,180 | \$ 4,276,595 | \$ 6,496,775 |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Functional Expenses - by Natural Classification
Year Ended June 30, 2024

| | Program Services | Supporting Services | | Total |
|--|---------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fund- Raising | |
| Salaries and wages | \$ 1,246,792 | \$ 85,442 | \$ 104,048 | \$ 1,436,282 |
| Employee benefits | 93,221 | 33,758 | 4,708 | 131,687 |
| Payroll taxes | 92,548 | 6,574 | 7,970 | 107,092 |
| Program services | 65,094 | - | - | 65,094 |
| Professional services | 25,099 | 36,035 | - | 61,134 |
| Utilities | 50,651 | 7,029 | - | 57,680 |
| Repairs and maintenance | 32,530 | 19,063 | - | 51,593 |
| Depreciation | 37,609 | 12,771 | - | 50,380 |
| Insurance | 30,535 | 12,084 | - | 42,619 |
| Information systems | 17,523 | 19,832 | 20 | 37,375 |
| Staff training and development | 10,657 | 23,233 | 2,134 | 36,024 |
| Office supplies, postage, and printing | 6,135 | 6,234 | 11,790 | 24,159 |
| Equipment repairs and maintenance | 12,678 | 4,377 | - | 17,055 |
| Telephone | 11,910 | 3,980 | - | 15,890 |
| Advertising and promotions | 736 | 6,894 | - | 7,630 |
| Miscellaneous | - | 1,599 | 207 | 1,806 |
| | <u>\$ 1,733,718</u> | <u>\$ 278,905</u> | <u>\$ 130,877</u> | <u>\$ 2,143,500</u> |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Functional Expenses - by Natural Classification (continued)
Year Ended June 30, 2023

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Total</u> |
|--|-----------------------------|-----------------------------------|--------------------------|---------------------|
| | | <u>Management and General</u> | <u>Fund- Raising</u> | |
| Salaries and wages | \$ 1,123,144 | \$ 100,649 | \$ 110,263 | \$ 1,334,056 |
| Employee benefits | 100,745 | 26,225 | 5,042 | 132,012 |
| Payroll taxes | 83,410 | 7,514 | 8,369 | 99,293 |
| Program services | 87,642 | - | - | 87,642 |
| Professional services | 33,234 | 30,621 | - | 63,855 |
| Utilities | 42,908 | 6,922 | - | 49,830 |
| Repairs and maintenance | 41,595 | 9,480 | - | 51,075 |
| Depreciation | 35,827 | 12,372 | - | 48,199 |
| Insurance | 20,704 | 14,425 | - | 35,129 |
| Information systems | 20,130 | 21,064 | 20 | 41,214 |
| Staff training and development | 19,162 | 31,612 | 4,351 | 55,125 |
| Office supplies, postage, and printing | 4,884 | 7,939 | 10,489 | 23,312 |
| Equipment repairs and maintenance | 5,392 | 5,870 | - | 11,262 |
| Telephone | 9,290 | 4,596 | - | 13,886 |
| Advertising and promotions | 321 | 6,859 | - | 7,180 |
| Miscellaneous | - | 2,205 | 137 | 2,342 |
| | <u>\$ 1,628,388</u> | <u>\$ 288,353</u> | <u>\$ 138,671</u> | <u>\$ 2,055,412</u> |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Cash Flows

| | Years Ended June 30, | |
|--|----------------------|------------------|
| | 2024 | 2023 |
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 792,986 | \$ 1,655,153 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 50,380 | 48,199 |
| In-kind contributions - property and equipment | - | (110,000) |
| In-kind contributions - beneficial interest in perpetual trusts | (460,500) | - |
| Restricted contributions - property and equipment | (177,988) | (1,923,348) |
| Amortization of discount - pledges receivable | (33,680) | 96,058 |
| Net realized and unrealized gains on investments | (105,814) | (67,811) |
| Change in beneficial interest in community foundation funds | (25,227) | (14,424) |
| Change in beneficial interest in perpetual trusts | (66,588) | (266) |
| Change in values of charitable remainder trusts | 578 | 598 |
| Change in values of cash value of life insurance | (864) | (826) |
| Change in assets and liabilities | | |
| (Increase) decrease in assets | | |
| Accounts receivable | (84,159) | (26,382) |
| Pledges receivable | 12,642 | 8,507 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (18,308) | 6,673 |
| Accrued expenses | 7,046 | 10,930 |
| Deferred revenue | - | (1,193) |
| Amount held for others | - | (4,670) |
| Net Cash Used in Operating Activities | (109,496) | (322,802) |
| Cash Flows from Investing Activities | | |
| Purchases of restricted investments - certificates of deposit | (972,062) | (1,514,184) |
| Proceeds from sales of restricted investments - certificates of deposit | 1,159,513 | 835,823 |
| Purchases of investments | (21,426) | (432) |
| Proceeds from sales of investments | 20,299 | - |
| Purchases of property and equipment | (407,071) | (65,970) |
| Net Cash Used in Investing Activities | (220,747) | (744,763) |
| Cash Flows from Financing Activities | | |
| Repayments of obligations under trust and annuity agreements | (800) | (800) |
| Restricted contributions - property and equipment | 402,988 | 948,348 |
| Proceeds from issuance of long-term debt | 55,424 | - |
| Net Cash Provided by Financing Activities | 457,612 | 947,548 |

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Statement of Cash Flows (continued)

| | Years Ended June 30, | |
|---|----------------------|---------------------|
| | 2024 | 2023 |
| Net Change in Cash, Cash Equivalents, and Restricted Cash | \$ 127,369 | \$ (120,017) |
| Cash, Cash Equivalents, and Restricted Cash at Beginning of Year | 70,051 | 190,068 |
| Cash, Cash Equivalents, and Restricted Cash at End of Year | \$ 197,420 | \$ 70,051 |
| Supplementary Cash Flows Information | | |
| Cash paid for interest | \$ 2,936 | \$ - |
| Cash and Cash Equivalents is Comprised of the Following on the Statement of Financial Position | | |
| Cash and cash equivalents | \$ 20,276 | \$ 15,057 |
| Cash and cash equivalents, restricted | 177,144 | 54,994 |
| | \$ 197,420 | \$ 70,051 |

**Children's Aid Society
Southern Pennsylvania District - Church of the Brethren**

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of Operations

Children's Aid Society, Southern Pennsylvania District - Church of the Brethren (the Organization) was established in 1913 and incorporated under the nonprofit laws of the Commonwealth of Pennsylvania in 1923. The Organization operates programs for children and their families in stressful situations, including counseling; parenting education services; and short-term, crisis nursery-respite care. Effective January 1, 2023, Cornerstone Youth Home was merged into the Organization.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities - Presentation of Financial Statements*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Accounts Receivable and Expected Credit Losses

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses* (Topic 326). The Organization adopted ASU 2016-13 as of July 1, 2023. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of expected credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC Topic 326 were accounts receivable. The Organization implemented the provisions of this standard. Management determined the ASU did not have a material impact on the Organization's financial statements.

Accounts receivable consist of amounts due from individuals and third-party payers for counseling services. Payments are expected within 30 days from the dates on which services are provided. Outstanding balances are non-interest bearing. Accounts receivable for counseling services are recorded net of an allowance for expected losses when necessary. The allowance is estimated from historical performance and projections of trends. On June 30, 2024 and 2023, there were no allowances for expected credit losses.

Pledges Receivable

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

Investments

Investments in debt securities, equity securities, and mutual funds with readily determinable fair value, are recorded based on quoted prices from national exchanges.

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

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

Children's Aid Society
Southern Pennsylvania District - Church of the Brethren

Notes to Financial Statements
June 30, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment greater than \$3,000 are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Upon retirement or sale, the costs and accumulated depreciation of such assets are removed from the accounts, and any resulting gains or losses are included in changes in net assets. Expenditures for maintenance and repairs, which neither materially add to the value of the property, nor appreciably prolong estimated useful lives are charged to expense as incurred.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during 2024 and 2023.

Charitable Remainder Trusts

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts are reported at fair value, as determined by the Organization's beneficiary interest percentage in the trust. The changes in the value of the trusts are reported as increases or decreases in net assets with donor restrictions.

Endowment Funds

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

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

The Organization has established community foundation endowment funds to provide endowments for the benefit of each of its counseling centers. Under these arrangements, the Organization has transferred assets to a third-party recipient and has specified itself as the beneficiary. This type of transfer is considered reciprocal in nature, and thus, does not represent either a contribution to the third-party recipient or an equity transaction. Under these arrangements, the third-party recipient has retained variance power over contributions received from other donors. Variance power provides the third-party recipient with the discretion to redirect contributions to the benefit of a beneficiary other than that named by the donor. As a result, the Organization does not recognize such contributions until such time as a distribution is received or is unconditionally promised by the third-party recipient. Changes in beneficial interest in community foundation funds is recognized as a change in net assets without donor restrictions.

Support and Revenue

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

**Children's Aid Society
Southern Pennsylvania District - Church of the Brethren**

Notes to Financial Statements
June 30, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Support and Revenue (continued)

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when stipulated, time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, the restrictions of which are met in the same reporting period, are reported as support without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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

The Organization receives a significant portion of its support under grants from government agencies as discussed in Note 16. A significant reduction in the level of government revenue could have an adverse effect on the Organization's activities.

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

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

Advertising and Promotions

The Organization expenses advertising and promotions costs as incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses Allocation - by Natural Classification

The costs of providing the Organization's program and supporting services have been summarized on a functional basis in the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the program and supporting services benefited. Supporting services consist of management and general, and fund-raising expenses. Expenses are generally allocated on the basis of estimates of time and effort.

Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation that is consistently applied. Expenses are generally allocated on the basis of estimated time and effort or the basis of square footage.

Income Taxes

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending prior to 2021.

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Notes to Financial Statements
June 30, 2024 and 2023

Note 3 - Liquidity and Availability

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

| | <u>2024</u> | <u>2023</u> |
|---|---------------------------|---------------------------|
| Cash, cash equivalents, and restricted cash | \$ 197,420 | \$ 70,051 |
| Restricted investments - certificate of deposit | 1,794,983 | 1,982,434 |
| Investments | 729,863 | 683,280 |
| Pledges receivable, current portion | 256,139 | 245,227 |
| Accounts receivable | <u>195,341</u> | <u>111,182</u> |
| Total Financial Assets | <u>3,173,746</u> | <u>3,092,174</u> |
| Amounts that are internally designated or externally restricted | | |
| Subject to expenditure for specified purposes | (1,925,792) | (2,282,852) |
| Subject to the passage of time | <u>(256,139)</u> | <u>(245,227)</u> |
| Financial Assets not Available to be used Within One Year | <u>(2,181,931)</u> | <u>(2,528,079)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One year | <u>\$ 991,815</u> | <u>\$ 564,095</u> |

The Organization is funded in part by contributions from donors that contain restrictions. Those restrictions require that resources be used for certain purposes or in future periods.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its cash available to meet general expenditures following these guiding principles:

- Operating with a prudent range of financial soundness and stability;
- Sustaining adequate liquid assets; and
- Maintaining two lines of credit with a maximum total combined amount of \$2,250,000 (see Note 10).

Note 4 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include other significant observable inputs such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2024 and 2023.

Money Market Funds

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

Note 4 - Fair Value Measurements (continued)

Fixed Income (Bond) Funds

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

Equity (Stock) Funds

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

Certificates of Deposit

Certificates of deposit approximate fair value, based on estimates using current market rates offered for deposits with similar remaining maturities.

Perpetual Trusts

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

Beneficial Interest in Community Foundation Funds

Fair values of beneficial interests in community foundation funds are based on the values of trust assets reported to the Organization by the community foundations.

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Note 4 - Fair Value Measurements (continued)

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

| | Fair Value Measurement at June 30, 2024 | | | |
|---|---|--|--|---------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Investments | | | | |
| Money markets | \$ 92,480 | \$ - | \$ - | \$ 92,480 |
| Fixed income securities | 277,574 | - | - | 277,574 |
| Equity securities | 359,809 | - | - | 359,809 |
| Perpetual trusts | - | - | 1,216,660 | 1,216,660 |
| Endowment funds | | | | |
| Money markets | 32,239 | - | - | 32,239 |
| Fixed income securities | 91,038 | - | - | 91,038 |
| Equity securities | 309,103 | - | - | 309,103 |
| Beneficial interest in community foundation funds | - | - | 401,482 | 401,482 |
| Restricted investments - certificates of deposit | - | 1,794,983 | - | 1,794,983 |
| | \$ 1,162,243 | \$ 1,794,983 | \$ 1,618,142 | \$ 4,575,368 |
| | | | | |
| | Fair Value Measurement at June 30, 2023 | | | |
| Investments | | | | |
| Money markets | \$ 46,089 | \$ - | \$ - | \$ 46,089 |
| Fixed income securities | 297,844 | - | - | 297,844 |
| Equity securities | 339,347 | - | - | 339,347 |
| Perpetual trusts | - | - | 689,572 | 689,572 |
| Endowment funds | | | | |
| Money markets | 24,121 | - | - | 24,121 |
| Fixed income securities | 89,250 | - | - | 89,250 |
| Equity securities | 258,651 | - | - | 258,651 |
| Beneficial interest in community foundation funds | - | - | 376,255 | 376,255 |
| Restricted investments - certificates of deposit | - | 1,982,434 | - | 1,982,434 |
| | \$ 1,055,302 | \$ 1,982,434 | \$ 1,065,827 | \$ 4,103,563 |

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Note 5 - Pledges Receivable

Included in pledges receivable are the following unconditional promises to give:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------------|-------------------|
| The Lehman Center building project | \$ 750,000 | \$ 975,000 |
| United Way of York County | 16,515 | 29,157 |
| Unamortized discount at 4.13% | <u>(62,378)</u> | <u>(96,058)</u> |
| | <u>\$ 704,137</u> | <u>\$ 908,099</u> |

Unconditional promises to give are expected to be collected during the following periods at June 30:

| | <u>2024</u> | <u>2023</u> |
|--------------------|-------------------|-------------------|
| Less than one year | \$ 256,139 | \$ 245,227 |
| One to five years | <u>447,998</u> | <u>662,872</u> |
| | <u>\$ 704,137</u> | <u>\$ 908,099</u> |

Pledges receivable are included in net assets with donor restrictions.

Note 6 - Property and Equipment

Property and equipment are as follows at June 30:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------|---------------------|---------------------|
| Land* | \$ 141,243 | \$ 141,243 |
| Building and improvements | 1,714,614 | 1,710,119 |
| Office equipment | 111,959 | 111,959 |
| Furniture and fixtures | 60,791 | 60,791 |
| Vehicles | <u>27,687</u> | <u>-</u> |
| | <u>2,056,294</u> | 2,024,112 |
| Less accumulated depreciation | <u>(985,936)</u> | <u>(935,556)</u> |
| | <u>1,070,358</u> | 1,088,556 |
| Construction in progress* | <u>693,802</u> | <u>318,913</u> |
| | <u>\$ 1,764,160</u> | <u>\$ 1,407,469</u> |

Depreciation expense was \$50,380 in 2024 and \$48,199 in 2023.

*Not depreciated.

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Note 7 - Beneficial Interest in Perpetual Trusts

The Organization is the beneficiary of several perpetual trusts, which are administered by third-party trustees. Under the terms of these arrangements, the Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity, but the Organization will never receive the assets held in trust. None of the underlying trust agreements place any restrictions on the use of the income. The Organization has recorded its beneficial interest in these trusts at fair values of the trust assets when the Organization was notified of the trusts' existences. Distributions from the trusts are reported as investment income without donor restrictions. Increases and decreases in the fair values of the trusts' assets are recognized as gains or losses with donor restrictions. The fair values of the trusts' assets totaled \$1,216,660 and \$689,572 at June 30, 2024 and 2023, respectively. Income from the perpetual trusts for the years ended June 30, consists of the following:

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Distribution from beneficial interest in perpetual trust | \$ 79,703 | \$ 33,024 |
| Change in value of perpetual trusts | 66,588 | 266 |
| Contribution of beneficial interest in perpetual trusts | 460,500 | - |

Note 8 - Endowment Funds

The Organization's endowment funds consist of the following at June 30:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| York County Community Foundation - The Lehman Center | \$ 150,840 | \$ 142,020 |
| York County Community Foundation - The Nicarry Center | 147,390 | 138,772 |
| The Foundation for Enhancing Communities - The Frances Leiter Center | 101,429 | 93,640 |
| Adams County Community Foundation | 1,823 | 1,823 |
| | <u>401,482</u> | <u>376,255</u> |
| Board designated and donor-restricted endowment funds | <u>432,380</u> | <u>372,022</u> |
| Total Endowment Funds | <u>\$ 833,862</u> | <u>\$ 748,277</u> |

Amounts held in board designated and community foundation endowment funds are invested as part of the Organizations' general portfolios. Investments are diversified among issuers. During the years ended June 30, 2024 and 2023, the Organization made no transfers to its community foundation endowment funds.

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

Note 8 - Endowment Funds (continued)

The York County Community Foundation makes annual distributions to the Organization based upon a spending policy of 4.50% of the average market value of the endowment funds' assets over the 12 preceding calendar quarters. The Foundation for Enhancing Communities distributes the actual, investment earnings of the fund's assets. The Adams County Community Foundation will make distributions once the fund grows to \$10,000.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the Organization considers the following factors in making a determination to accumulate or appropriate endowment funds:

- A. The duration and preservation of the fund
- B. The purpose of the donor-restricted endowment fund
- C. General economic conditions
- D. The possible effect of inflation and deflation
- E. The expected total return from income and appreciation of investments
- F. Other resources of the Organization
- G. The investment policies of the Organization

The relevant state law has no requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absences of donor stipulations or laws to the contrary. The Organization has interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, the Organization has no underwater endowments as of June 30, 2024 or 2023. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

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Notes to Financial Statements
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Note 8 - Endowment Funds (continued)

The following schedule represents the endowment net asset composition by type of endowment fund as of June 30:

| | 2024 | | |
|--|---------------------------------------|------------------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Community foundation endowment funds | \$ 401,482 | \$ - | \$ 401,482 |
| Board designated and donor-restricted endowment funds | <u>123,518</u> | <u>308,862</u> | <u>432,380</u> |
| Total Endowment Net Assets | <u>\$ 525,000</u> | <u>\$ 308,862</u> | <u>\$ 833,862</u> |
| | 2023 | | |
| Community foundation endowment funds | \$ 376,255 | \$ - | \$ 376,255 |
| Board designated and donor-restricted endowment funds | <u>93,339</u> | <u>278,683</u> | <u>372,022</u> |
| Total Endowment Net Assets | <u>\$ 469,594</u> | <u>\$ 278,683</u> | <u>\$ 748,277</u> |

Changes in endowment funds by net asset composition for the years ended June 30:

| | 2024 | | |
|---|---------------------------------------|------------------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 469,594 | \$ 278,683 | \$ 748,277 |
| Investment return | | | |
| Investment Income | 12,163 | - | 12,163 |
| Net appreciation | | | |
| Realized | 36,446 | - | 36,446 |
| Unrealized | <u>27,135</u> | <u>30,179</u> | <u>57,314</u> |
| Total investment return | 75,744 | 30,179 | 105,923 |
| Appropriation of endowment assets for expenditures | (15,754) | - | (15,754) |
| Other changes | | | |
| Investment fees | <u>(4,584)</u> | - | <u>(4,584)</u> |
| Endowment net assets, end of year | <u>\$ 525,000</u> | <u>\$ 308,862</u> | <u>\$ 833,862</u> |

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Note 8 - Endowment Funds (continued)

| | 2023 | | |
|--|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 433,243 | \$ 259,491 | \$ 692,734 |
| Investment return | | | |
| Investment Income | 5,880 | - | 5,880 |
| Net appreciation | | | |
| Realized | 27,994 | - | 27,994 |
| Unrealized | 23,252 | 19,192 | 42,444 |
| Total investment return | 57,126 | 19,192 | 76,318 |
| Appropriation of endowment assets for expenditures | (14,741) | - | (14,741) |
| Other changes | | | |
| Investment fees | (6,034) | - | (6,034) |
| Endowment net assets, end of year | <u>\$ 469,594</u> | <u>\$ 278,683</u> | <u>\$ 748,277</u> |

Note 9 - Cash Value of Life Insurance

The Organization is the owner of a cash value life insurance policy on an individual. Premiums payable under the insurance policy are paid by the insured and recognized as contributions without donor restrictions by the Organization. The Organization will receive the policy's face value upon the death of the insured or the accumulated cash value upon the termination of the policy. The face value of the insurance policy was \$31,105. The accumulated cash value of the insurance policy was \$22,695 and \$21,831 at June 30, 2024 and 2023, respectively. Increases in the insurance policy's cash value are accounted for as investment income with donor restrictions. During the years ended June 30, 2024 and 2023, the increases in cash surrender value of the life insurance contract were \$864 and \$826, respectively.

Note 10 - Line of Credit

The Organization has a \$250,000 line of credit agreement with ACNB Bank. Advances on the line are payable on demand and bear interest at The Wall Street Journal Prime Rate plus 1.00%, with a floor of 4.25%; interest is payable monthly. Interest at June 30, 2024 was 9.50%. The line of credit is collateralized by the Organization's investment management account held by ACNB Bank. As of June 30, 2024 and 2023, the Organization had no outstanding advances. There was no interest expense related to the line of credit for the years ended June 30, 2024 and 2023.

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Note 10 - Line of Credit (continued)

Effective September 20, 2023, The Organization entered into an agreement with Member's 1st Federal Credit Union to establish a \$2,000,000 line of credit. Advances on the line are payable on demand and bear interest at The Wall Street Journal Prime Rate plus 0.25%, with a floor of 3.99%; interest is payable monthly. Interest at June 30, 2024 was 8.75%. The line of credit is collateralized by all the Organization's personal property and fixtures. As of June 30, 2024, the Organization had no outstanding advances. There was no interest expense related to the line of credit for the year ended June 30, 2024.

Note 11 - Long-Term Debt

A summary of long-term debt is as follows as of June 30:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|-------------|
| 2024 construction note payable in the maximum amount of \$4,000,000, payable in interest only payments through September 2025; beginning October 2025 monthly installments of principal and interest sufficient to amortize the loan over 20 years are due with one final payment due September 2033; interest rate is fixed at 6.76%; secured by all personal property and fixtures of the Organization | <u>\$ 55,424</u> | <u>\$ -</u> |

Future minimum debt payments, assuming no change in current terms and at the current balance of long-term debt, consist of the following for the five years ended June 30:

| | |
|------|--------|
| 2025 | \$ - |
| 2026 | 55,424 |
| 2027 | - |
| 2028 | - |
| 2029 | - |

Interest totaling \$2,936 and \$-0- was capitalized as a component of the cost of property and equipment constructed for its own use for the years ended June 30, 2024 and 2023, respectively, and no interest expense was charged to operations.

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Notes to Financial Statements
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Note 12 - Obligations Under Trust and Annuity Agreements

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

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

| | <u>2024</u> | <u>2023</u> |
|---------------------------|-----------------|-----------------|
| Charitable gift annuities | \$ 6,123 | \$ 6,345 |
| Less current portion | <u>(552)</u> | <u>(607)</u> |
| Long-term portion | <u>\$ 5,571</u> | <u>\$ 5,738</u> |

The net increase in present values of these charitable gift annuities was \$578 and \$598, for the years ended June 30, 2024 and 2023, respectively.

Expected future annuity payments are as follows:

| | |
|------------|-----------------|
| 2025 | \$ 552 |
| 2026 | 527 |
| 2027 | 500 |
| 2028 | 469 |
| 2029 | 434 |
| Thereafter | <u>3,641</u> |
| | <u>\$ 6,123</u> |

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Notes to Financial Statements
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Note 13 - Net Assets with Donor Restrictions and Board Designated Net Assets

Net assets with donor restrictions at June 30 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| The Lehman Center building project | \$ 885,141 | \$ 885,000 |
| Operation of The Lehman Center | 1,040,652 | 1,285,318 |
| Family advocacy | - | 60,983 |
| York Cares Code Blue Shelter | - | 51,051 |
| Subject to the passage of time | | |
| Pledges receivable - The Lehman Center building project | 750,000 | 975,000 |
| Pledges receivable - other | 16,515 | 29,157 |
| Cash value of life insurance policy | 22,695 | 21,831 |
| Endowments | | |
| Permanently restricted to endowment by donors | 308,862 | 278,683 |
| Not subject to spending policy or appropriation | | |
| Beneficial interests in perpetual trusts | 1,216,660 | 689,572 |
| | <u>\$ 4,240,525</u> | <u>\$ 4,276,595</u> |

Board designated net assets, which are included in net assets without donor restrictions, consist of board designated endowment funds and agency accounts established with community foundations (Note 8) and are subject to appropriation and expenditure as the Board designates. At June 30, 2024 and 2023, total Board designated net assets were \$525,000 and \$469,594, respectively.

Note 14 - Fundraising Activities

The Organization conducts fundraising activities throughout the year to help support its program services. For the years ended June 30, 2024 and 2023, gross revenues and the related direct costs of special events and fundraising activities were as follows:

| | <u>2024</u> | <u>2023</u> |
|--------------------------|-------------------|-------------------|
| Fundraising proceeds | \$ 134,489 | \$ 135,826 |
| Fundraising direct costs | (25,556) | (26,689) |
| | <u>\$ 108,933</u> | <u>\$ 109,137</u> |

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Note 15 - Retirement Plan

The Organization sponsors a defined-contribution retirement plan that is available for substantially all employees. Participating employees may contribute a percentage of their compensation into the plan, subject to annual limits set by law. Employee contributions are matched by the Organization up to 3.00% of employees' eligible compensation.

Retirement plan expense for the years ended June 30, 2024 and 2023 was \$25,428 and \$20,926, respectively.

Note 16 - Concentrations and Credit Risk

The Organization receives a significant portion of its support under government grants from the U.S. Department of Health and Human Services; this support is passed through the Pennsylvania Department of Human Services, the County of York, and the Pennsylvania Medical Assistance Program. For the years ended June 30, 2024 and 2023, 32% and 23%, respectively, of non-investment and fundraising support and revenue was comprised of pass-through government grants.

Financial Institutions

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

Accounts Receivable

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

Note 17 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended June 30:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Property and equipment | \$ - | \$ 110,000 |
| Beneficial interest in perpetual trust | <u>460,500</u> | <u>-</u> |
| | <u>\$ 460,500</u> | <u>\$ 110,000</u> |

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Note 17 - In-Kind Contributions (continued)

Contributed property and equipment recognized is comprised of land donated to the Organization. There is an associated donor restriction related to the donated land. Donated land is reported at its appraised value in the financial statements.

Contributed beneficial interest in perpetual trust is comprised of a perpetual trust that has a donor restriction of the trust assets being held in perpetuity with the Organization having the right to receive the income earned on the trust without donor restrictions. Contributed beneficial interest in perpetual trust is reported at the fair value of the trust assets reported to the Organization by the third-party trustees.

In addition to the in-kind contribution amounts recorded in the financial statements, during the years ended June 30, 2024 and 2023, a substantial number of individual volunteers have donated significant amounts of time to the Organization's programs and administrative functions. These services do not meet the criteria for recognition as contributed services and are not reflected on the accompanying financial statements.

Note 18 - Acquisition

During the year ended June 30, 2023, the Organization entered into an asset transfer agreement with Cornerstone Youth Home effective January 1, 2023.

The Organization recorded the acquisition in accordance with U.S. GAAP, which requires the acquisition method to be used for acquisitions by a not-for-profit entity. Under the acquisition method, the carrying value of assets acquired and liabilities assumed are adjusted to their acquisition date estimated fair values.

There was no consideration transferred for the acquisition of Cornerstone Youth Home; therefore, the Organization recognized on its statement of activities a contribution of net assets of \$580,087. No identifiable intangible assets were acquired in this acquisition.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

| | Cornerstone Youth Home |
|--|-----------------------------------|
| Cash and cash equivalents | \$ 7,349 |
| Property and equipment, net | <u>572,738</u> |
| Total assets acquired | 580,087 |
| Total liabilities assumed | <u>-</u> |
| Contribution received from acquisition | <u>\$ 580,087</u> |

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Note 19 - Commitments

The Organization has entered into a contract for their building construction project in an amount not to exceed \$5,317,500. At June 30, 2024, \$5,172,873 remained to be billed on this contract.

Note 20 - Reclassifications

Certain information in the 2023 financial statements and related footnotes contain reclassifications necessary to make that information comparable to the information presented in the 2024 financial statements. There was no change to net assets or changes in net assets as a result of these reclassifications.

Note 21 - Subsequent Events

The Organization has evaluated subsequent events through December 20, 2024. This date is the date the financial statements were available to be issued. The following material events subsequent to June 30, 2024 were noted:

In October 2024, the Organization received a \$513,377 bequest restricted for the Organization's Lehman Center.

Effective October 24, 2024, the Organization entered into an agreement with Member's 1st Federal Credit Union to establish a \$250,000 line of credit. Advances on the line are payable on demand and bear interest at The Wall Street Journal Prime Rate plus 0.50%, with a floor of 3.99%; interest is payable monthly. The line of credit is collateralized by all the Organization's real and personal business assets including accounts receivable.

No other material events subsequent to June 30, 2024 were noted.