

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

The Children's Aid Society

June 30, 2022 and 2021

Contents

| | Page |
|--|------|
| Report of Independent Certified Public Accountants | 3 |
| Consolidated Financial Statements | |
| Consolidated statements of financial position | 5 |
| Consolidated statements of activities | 6 |
| Consolidated statements of functional expenses | 7 |
| Consolidated statements of cash flows | 9 |
| Notes to consolidated financial statements | 10 |
| Supplemental Schedules | |
| Consolidating schedules of financial position | 39 |
| Consolidating schedule of activities for the year ended June 30, 2022 | 40 |
| Consolidating schedule of activities for the year ended June 30, 2021 | 41 |

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
The Children's Aid Society

Report on the financial statements**Opinion**

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Children's Aid Society as of June 30, 2022 and 2021, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Agency'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

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, 2022 and 2021 as a whole. The accompanying supplementary information on pages 39 through 41 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 such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

The Children's Aid Society

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,
(Dollars in thousands)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 17,661 | \$ 16,583 |
| Accounts and grants receivable, net | 36,609 | 33,311 |
| Contributions receivable | 5,064 | 638 |
| Prepaid expenses and other assets | 3,710 | 3,072 |
| Investments | 307,723 | 357,155 |
| Split-interest agreement investments | 1,614 | 1,827 |
| Property and equipment, net | 112,469 | 114,501 |
| Operating right-of-use assets | <u>28,160</u> | <u>30,189</u> |
| Total assets | <u>\$ 513,010</u> | <u>\$ 557,276</u> |
| LIABILITIES | | |
| Accounts payable | \$ 2,575 | \$ 2,117 |
| Accrued expenses | 13,780 | 13,467 |
| Deferred revenue | 7,300 | 4,868 |
| Split-interest obligations | 1,286 | 917 |
| Bonds payable, net | 73,577 | 74,524 |
| Accrued pension and post-retirement obligations, net | 28,399 | 47,911 |
| Other liabilities | 173 | 1,685 |
| Operating lease liabilities | <u>28,160</u> | <u>30,189</u> |
| Total liabilities | <u>155,250</u> | <u>175,678</u> |
| NET ASSETS | | |
| Without donor restrictions | 340,503 | 365,985 |
| With donor restrictions | <u>17,257</u> | <u>15,613</u> |
| Total net assets | <u>357,760</u> | <u>381,598</u> |
| Total liabilities and net assets | <u>\$ 513,010</u> | <u>\$ 557,276</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,
(Dollars in thousands)

| | June 30, 2022 | | | June 30, 2021 | | |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Without Donor Restrictions | With Donor Restrictions | Total 2021 |
| Operating revenue and support | | | | | | |
| Government support | \$ 98,302 | \$ - | \$ 98,302 | \$ 90,576 | \$ - | \$ 90,576 |
| Program services fees | 11,739 | - | 11,739 | 11,967 | - | 11,967 |
| Contributions | 11,486 | 12,760 | 24,246 | 9,275 | 9,921 | 19,196 |
| Planned giving | 360 | - | 360 | 1,226 | 63 | 1,289 |
| Rental income | 2,702 | - | 2,702 | 2,732 | - | 2,732 |
| Investment return used for operations | 13,288 | - | 13,288 | 13,088 | - | 13,088 |
| Other revenue | 4,331 | (124) | 4,207 | 2,767 | (153) | 2,614 |
| In-kind contributions | 2,344 | - | 2,344 | 1,171 | 40 | 1,211 |
| Net assets released from the real-estate investment fund | - | - | - | 171 | - | 171 |
| Net assets released from restrictions for programs | 10,992 | (10,992) | - | 10,215 | (10,215) | - |
| Total operating revenue and support | 155,544 | 1,644 | 157,188 | 143,188 | (344) | 142,844 |
| Operating expenses | | | | | | |
| Program services | | | | | | |
| Early childhood | 14,947 | - | 14,947 | 15,837 | - | 15,837 |
| Youth | 33,621 | - | 33,621 | 27,884 | - | 27,884 |
| Health and wellness | 19,265 | - | 19,265 | 16,837 | - | 16,837 |
| Child welfare and family services | 52,230 | - | 52,230 | 52,955 | - | 52,955 |
| Collective impact and national center for community schools | 2,127 | - | 2,127 | 2,348 | - | 2,348 |
| Total program services | 122,190 | - | 122,190 | 115,861 | - | 115,861 |
| Supporting services | | | | | | |
| Management and general | 23,275 | - | 23,275 | 21,376 | - | 21,376 |
| Fundraising | 4,059 | - | 4,059 | 3,426 | - | 3,426 |
| Total supporting services | 27,334 | - | 27,334 | 24,802 | - | 24,802 |
| Total operating expenses | 149,524 | - | 149,524 | 140,663 | - | 140,663 |
| Changes in net assets from operations | 6,020 | 1,644 | 7,664 | 2,525 | (344) | 2,181 |
| Non-operating activities | | | | | | |
| Net assets released from the real estate investment fund | - | - | - | (171) | - | (171) |
| Investment return net of amount used for operations | (47,299) | - | (47,299) | 67,698 | - | 67,698 |
| Change in value of split-interest agreements | (435) | - | (435) | (361) | - | (361) |
| Pension-related activity | 16,232 | - | 16,232 | 24,405 | - | 24,405 |
| Changes in net assets from non-operating activities | (31,502) | - | (31,502) | 91,571 | - | 91,571 |
| CHANGES IN NET ASSETS | (25,482) | 1,644 | (23,838) | 94,096 | (344) | 93,752 |
| Net assets - beginning of year | 365,985 | 15,613 | 381,598 | 271,889 | 15,957 | 287,846 |
| Net assets - end of year | \$ 340,503 | \$ 17,257 | \$ 357,760 | \$ 365,985 | \$ 15,613 | \$ 381,598 |

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,
(Dollars in thousands)

| | Program Services Expenses | | | | | | | | | | | |
|--|---------------------------|-----------|-----------|-----------|---------------------|-----------|-----------------------------------|-----------|---|----------|------------|------------|
| | Early Childhood | | Youth | | Health and Wellness | | Child Welfare and Family Services | | Collective Impact and National Center for Community Schools | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Salaries | \$ 8,665 | \$ 9,578 | \$ 18,805 | \$ 15,143 | \$ 11,853 | \$ 9,349 | \$ 23,771 | \$ 22,933 | \$ 1,130 | \$ 1,181 | \$ 64,224 | \$ 58,184 |
| Employee health and retirement benefits | 1,995 | 2,845 | 1,861 | 2,277 | 1,930 | 2,048 | 4,117 | 5,252 | 201 | 265 | 10,104 | 12,687 |
| Payroll taxes | 757 | 852 | 1,627 | 1,330 | 1,014 | 825 | 2,059 | 2,022 | 97 | 103 | 5,554 | 5,132 |
| Total salaries and related expenses | 11,417 | 13,275 | 22,293 | 18,750 | 14,797 | 12,222 | 29,947 | 30,207 | 1,428 | 1,549 | 79,882 | 76,003 |
| Professional fees | 246 | 127 | 1,147 | 924 | 555 | 784 | 1,939 | 1,811 | 203 | 151 | 4,090 | 3,797 |
| Supplies | 679 | 387 | 1,017 | 714 | 516 | 470 | 259 | 249 | 17 | 6 | 2,488 | 1,826 |
| Telephone and communications | 55 | 56 | 222 | 322 | 213 | 193 | 641 | 689 | 6 | 11 | 1,137 | 1,271 |
| Postage and shipping | 1 | 1 | 5 | 22 | 6 | 18 | 54 | 106 | 6 | 1 | 72 | 148 |
| Occupancy | 703 | 556 | 1,189 | 1,264 | 378 | 358 | 3,733 | 3,375 | 132 | 127 | 6,135 | 5,680 |
| Outside printing and promotion | 41 | 5 | 1 | 4 | 17 | 19 | 10 | 6 | 11 | 2 | 80 | 36 |
| Local travel and related expenses | 3 | 1 | 119 | 32 | 28 | 35 | 789 | 539 | 29 | - | 968 | 607 |
| Training, conferences, conventions, and partnership grants | 240 | 171 | 813 | 622 | 77 | 19 | 176 | 147 | 179 | 460 | 1,485 | 1,419 |
| Special events | - | - | - | 2 | - | - | - | 1 | - | - | - | 3 |
| Specific assistance for individuals | 21 | 23 | 1,149 | 563 | 132 | 37 | 1,645 | 1,529 | 16 | 7 | 2,963 | 2,159 |
| Foster boarding home | 5 | 3 | - | - | 8 | 121 | 11,357 | 11,848 | - | - | 11,370 | 11,972 |
| Repairs | 2 | - | 37 | 17 | 44 | 130 | 2 | 1 | - | - | 85 | 148 |
| Insurance | 286 | 348 | 378 | 600 | 369 | 334 | 570 | 576 | 16 | 17 | 1,619 | 1,875 |
| Membership dues | - | - | 53 | 40 | 64 | 78 | 34 | 41 | 13 | 8 | 164 | 167 |
| Food | 152 | 143 | 544 | 169 | 377 | 298 | (3) | 301 | 5 | - | 1,075 | 911 |
| Information technology | 134 | 113 | 198 | 346 | 357 | 437 | 387 | 780 | 7 | 8 | 1,083 | 1,684 |
| Depreciation and amortization | 47 | 53 | 1,735 | 1,567 | 261 | 273 | 397 | 378 | 59 | - | 2,499 | 2,271 |
| Interest | 138 | 119 | 1,742 | 1,846 | 163 | 207 | 78 | 126 | - | - | 2,121 | 2,298 |
| Miscellaneous | 23 | 146 | 188 | (254) | 213 | 287 | 106 | 197 | - | 1 | 530 | 377 |
| In-kind - other | 754 | 310 | 791 | 334 | 690 | 517 | 109 | 50 | - | - | 2,344 | 1,211 |
| Total expenses | \$ 14,947 | \$ 15,837 | \$ 33,621 | \$ 27,884 | \$ 19,265 | \$ 16,837 | \$ 52,230 | \$ 52,955 | \$ 2,127 | \$ 2,348 | \$ 122,190 | \$ 115,861 |

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,
(Dollars in thousands)

| | <u>Management and General</u> | | <u>Fundraising</u> | | <u>Total Supporting Services</u> | | <u>Total Program and Supporting Services</u> | |
|--|-------------------------------|------------------|--------------------|-----------------|----------------------------------|------------------|--|-------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Salaries | \$ 11,077 | \$ 10,387 | \$ 1,935 | \$ 1,751 | \$ 13,012 | \$ 12,138 | \$ 77,236 | \$ 70,322 |
| Employee health and retirement benefits | 1,895 | 2,256 | 350 | 422 | 2,245 | 2,678 | 12,349 | 15,365 |
| Payroll taxes | 956 | (94) | 169 | 153 | 1,125 | 59 | 6,679 | 5,191 |
| Total salaries and related expenses | 13,928 | 12,549 | 2,454 | 2,326 | 16,382 | 14,875 | 96,264 | 90,878 |
| Professional fees | 3,175 | 3,108 | 287 | 286 | 3,462 | 3,394 | 7,552 | 7,191 |
| Supplies | 158 | 122 | 19 | 10 | 177 | 132 | 2,665 | 1,958 |
| Telephone and communications | 121 | 114 | 9 | 8 | 130 | 122 | 1,267 | 1,393 |
| Postage and shipping | 9 | 125 | 30 | 27 | 39 | 152 | 111 | 300 |
| Occupancy | 524 | 573 | 13 | 62 | 537 | 635 | 6,672 | 6,315 |
| Outside printing and promotion | 149 | 80 | 119 | 156 | 268 | 236 | 348 | 272 |
| Local travel and related expenses | 41 | 189 | 3 | 1 | 44 | 190 | 1,012 | 797 |
| Training, conferences, conventions, and partnership grants | 65 | 164 | 1 | - | 66 | 164 | 1,551 | 1,583 |
| Special events | 1 | 3 | 426 | 137 | 427 | 140 | 427 | 143 |
| Specific assistance for individuals | 29 | 67 | - | - | 29 | 67 | 2,992 | 2,226 |
| Foster boarding home | 1 | 3 | - | - | 1 | 3 | 11,371 | 11,975 |
| Repairs | 14 | 3 | - | - | 14 | 3 | 99 | 151 |
| Insurance | 226 | 236 | 35 | 37 | 261 | 273 | 1,880 | 2,148 |
| Membership dues | 30 | 20 | - | - | 30 | 20 | 194 | 187 |
| Food | 11 | (1) | 1 | - | 12 | (1) | 1,087 | 910 |
| Information technology | 1,320 | 1,020 | 464 | 106 | 1,784 | 1,126 | 2,867 | 2,810 |
| Depreciation and amortization | 2,138 | 2,007 | 115 | 134 | 2,253 | 2,141 | 4,752 | 4,412 |
| Interest | 908 | 847 | 81 | 135 | 989 | 982 | 3,110 | 3,280 |
| Miscellaneous | 427 | 147 | 2 | 1 | 429 | 148 | 959 | 525 |
| In-kind - other | - | - | - | - | - | - | 2,344 | 1,211 |
| Total expenses | <u>\$ 23,275</u> | <u>\$ 21,376</u> | <u>\$ 4,059</u> | <u>\$ 3,426</u> | <u>\$ 27,334</u> | <u>\$ 24,802</u> | <u>\$ 149,524</u> | <u>\$ 140,663</u> |

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

The Children's Aid Society
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,
(Dollars in thousands)

| | 2022 | 2021 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (23,838) | \$ 93,752 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 4,752 | 4,412 |
| Amortization of deferred financing costs | 47 | 47 |
| Adjustments to obligation under split-interest agreements | 436 | 361 |
| Amortization of bond premium | (259) | (391) |
| Realized and unrealized loss (gain) on investments | 34,446 | (80,224) |
| Subtotal | 15,584 | 17,957 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in: | | |
| Accounts and grants receivable | (3,298) | 6,632 |
| Contributions receivable | (4,426) | 631 |
| Prepaid expenses and other assets | (638) | (355) |
| (Decrease) increase in: | | |
| Accounts payable | 458 | 197 |
| Accrued expenses | 313 | 1,356 |
| Accrued pension and post-retirement obligations | (19,512) | (24,397) |
| Deferred revenue | 2,432 | (4,746) |
| Split-interest obligations | 369 | 304 |
| Other liabilities | (1,512) | (1,392) |
| Net cash (used in) operating activities | (10,230) | (3,813) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (869) | (2,295) |
| Purchases of investments | (201,189) | (281,982) |
| Proceeds from sale/maturity of investments | 216,388 | 293,343 |
| Net cash provided by investing activities | 14,330 | 9,066 |
| Cash flows from financing activities: | | |
| Payments on bonds payable | (993) | (705) |
| Payments on leased ROU obligations | (2,029) | - |
| (Payment) proceeds line of credit | - | (7,500) |
| Net cash (used in) financing activities | (3,022) | (8,205) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,078 | (2,952) |
| Cash and cash equivalents, beginning of year | 16,583 | 19,535 |
| Cash and cash equivalents, end of year | \$ 17,661 | \$ 16,583 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 3,110 | \$ 3,279 |

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

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021
(Dollars 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"). Children's Aid helps children in poverty to succeed and thrive. This is accomplished by providing comprehensive support 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 which holds a four-story building at the above-mentioned address.

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 which hold title to a building housing a charter school and vacant land at the above-mentioned addresses.

The consolidated financial statements of Children's Aid have been prepared by consolidating the financial statements of Children's Aid, 910 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 zero to three) and Head Start and Early Learn daycare (ages three to five).

Youth

The Youth division focuses on ages five to adolescence and young adults 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, support, and opportunities. Core services include Out-of-School Time Programs in Children's Aid community centers and schools, summer camps, and athletic programming. 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 support and develops leadership through a peer education model, and teen employment services, such as internships and Summer Youth Employment Program.

Health and Wellness

The Health and Wellness division provides high-quality services that reduce health disparities among children and families living in poverty. This includes comprehensive medical, mental health and dental services delivered by pediatricians, nurse practitioners, social workers, psychiatrists, dentists, health educators, medical assistants, and other support staff. 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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, seeks to prevent situations which may require children being 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; and the Office of Client Advocacy, which stabilizes low-income families through legal advocacy and material assistance.

Collective Impact & the National Center for Community Schools

Collective Impact's 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 Children's Aid's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amount for each of the classes of net assets (with donor restrictions and without donor restrictions) be displayed in a statement of financial position and that the amounts change in each of those classes or net assets displayed in a statement of activities.

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. To this point Children's Aid maintains a balance of \$20,531 and \$23,660 in reserves for 2022 and 2021, respectively, as a real-estate reserve fund holding 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

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 donor-restricted 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 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 statements of financial position.

Contributions/Pledges Receivable

Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions (barriers) 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 \$2,683 and \$1,488 of special event revenue as of June 30, 2022 and 2021, respectively.

Allowance for Uncollectible Receivables

An allowance is recorded based on prior years' collection experience and management's analysis and evaluation of specific accounts, grants and contributions to be received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. As of June 30, 2022 and 2021, the Agency determined that an allowance of \$938 and \$895 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

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 |

Revenue Recognition

The Agency 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 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.

At June 30, 2022, Children's Aid was awarded conditional grants which have not been recorded on the accompanying 2022 consolidated financial statements. These grants are conditional based on the presence of quantifiable barriers and a right of return outlined within each agreement.

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 satisfied 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, 2022 and 2021
(Dollars 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 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 8), and pension-related activity are recognized as non-operating activities.

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 Internal Revenue Service 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, 2022 and 2021.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 the collection of receivables.

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 statements of financial position, are comprised of the following as of June 30, 2022 and 2021.

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 17,661 | \$ 16,583 |
| Accounts and grants receivables, net | 36,609 | 33,311 |
| Contributions receivable, net, unrestricted as to use upon collections | 5,064 | 638 |
| Investments | <u>307,723</u> | <u>357,155</u> |
| Total financial assets available within one year | <u>367,057</u> | <u>407,687</u> |
| Less: | | |
| Contractual, legal or donor-imposed restrictions | | |
| Restricted by donors with time or purpose | 10,381 | 8,739 |
| Restricted by donors in perpetuity | <u>6,876</u> | <u>6,874</u> |
| Total amounts unavailable for general expenditures within one year | <u>17,257</u> | <u>15,613</u> |
| Total amounts available for general expenditures within one year | <u>\$ 349,800</u> | <u>\$ 392,074</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, 2022 and 2021
(Dollars in thousands)

NOTE 4 - ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable, net, consist of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|-----------|-----------|
| Due from the City of New York | \$ 29,131 | \$ 22,984 |
| Due from the State of New York | 3,703 | 5,359 |
| Due from Federal government | 2,556 | 1,497 |
| Due from other sources | 2,157 | 4,366 |
| | 37,547 | 34,206 |
| Less: Allowances for uncollectible amounts | (938) | (895) |
| Total | \$ 36,609 | \$ 33,311 |

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be collected as follows:

| | 2022 | 2021 |
|---------------------------------|----------|--------|
| Less than one year | \$ 4,026 | \$ 411 |
| One to two years | 1,100 | 244 |
| | 5,126 | 655 |
| Less discount for present value | (62) | (17) |
| Total | \$ 5,064 | \$ 638 |

Children's Aid quantified and recognized the fair value of the contributed space and services it receives for its programmatic purposes to total approximately \$2,344 and \$1,211 for the years ended June 30, 2022 and June 30, 2021 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. Total amount recognized under contributed space was \$2,003. Children's Aid receives the use of classroom and office space from the NYC Department of Education for use in the Early Childhood Division and community schools' programs in the Youth Division. Contributed space is valued by obtaining the fair market cost per square foot of comparable lease or rental costs for similar spaces in the same city neighborhoods and discounting or adjusting the rate downwards for restrictive terms and conditions.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions (barriers) 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, 2022 and 2021
(Dollars in thousands)

NOTE 6 - INVESTMENTS

Investments consist of the following at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-------------------|-------------------|
| Cash and money market funds | \$ 13,127 | \$ 4,607 |
| Equities and commingled funds | 73,924 | 70,919 |
| Mutual funds | 24,001 | 26,284 |
| Alternative investments: | | |
| Private capital | 37,739 | 28,595 |
| Hedge funds | 42,483 | 68,317 |
| Equities and commingled funds | 92,227 | 135,103 |
| Mutual funds | 5,739 | 8,692 |
| Limited partnership interests | 6,309 | 5,596 |
| Emerging markets equity fund | 12,174 | 9,042 |
| Total | <u>\$ 307,723</u> | <u>\$ 357,155</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.

| | <u>2022</u> | <u>2021</u> |
|------------------------|--------------------|------------------|
| Realized gain | \$ 23,792 | \$ 20,120 |
| Unrealized (loss) gain | (58,133) | 60,637 |
| Interest and dividends | 2,453 | 2,303 |
| Investment fees | (2,123) | (2,274) |
| Total | <u>\$ (34,011)</u> | <u>\$ 80,786</u> |

Amounts used in support of operations:

| | | |
|---|------------------|------------------|
| Appropriated from the endowment and investment returns used in operations | <u>\$ 13,288</u> | <u>\$ 13,088</u> |
|---|------------------|------------------|

| | | |
|---|--------------------|------------------|
| Total investment (losses) gains in non-operating activities | <u>\$ (47,299)</u> | <u>\$ 67,698</u> |
|---|--------------------|------------------|

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|------------|------------|
| Land | \$ 5,656 | \$ 5,656 |
| Land improvements | 974 | 991 |
| Building and improvements | 122,097 | 120,223 |
| Furniture and equipment | 9,984 | 12,417 |
| Leasehold improvements | 7,613 | 7,307 |
| Construction in progress | 3,372 | 3,222 |
| Total costs | 149,696 | 149,816 |
| Less: Accumulated depreciation and amortization | (37,227) | (35,315) |
| Net book value | \$ 112,469 | \$ 114,501 |

Depreciation and amortization amounted to \$4,752 and \$4,412 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress relates primarily to the costs to rebuild a swimming pool at one of our community centers. Such amounts will be depreciated in accordance with the Agency's established policies when completed and placed into service.

NOTE 8 - ENDOWMENT NET ASSETS

Endowment net assets consist of donor permanently-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. Children's Aid has outsourced discretionary investment management services to Agility (a.k.a. Perella Weinberg Partners Capital Management LP).

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

For the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the distribution for current spending was 5.0% 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, 2022 and 2021, the amount appropriated from the endowment and reserves investments for operations totaled \$13,288 and \$13,088, respectively.

Endowment funds are classified as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|-----------------|
| Investment in perpetuity, the income from which is expendable to support donor-specific activities of Children's Aid | \$ 2,741 | \$ 2,741 |
| Investment in perpetuity, the income from which is expendable to support the general activities of Children's Aid | <u>4,135</u> | <u>4,133</u> |
| | <u>\$ 6,876</u> | <u>\$ 6,874</u> |

Changes in endowment investments for year ended June 30, 2022 follow:

| | <u>With Donor Restrictions</u> | | <u>Total</u> |
|-------------------------------------|--------------------------------|----------------------|-----------------|
| | <u>Accumulated Gains</u> | <u>Original Gift</u> | |
| Endowment net assets, July 1, 2021 | <u>\$ 3,034</u> | <u>\$ 6,874</u> | <u>\$ 9,908</u> |
| Activity: | | | |
| Additions/contributions | - | 2 | 2 |
| Net gains (realized and unrealized) | (857) | - | (857) |
| Appropriated for operations | <u>(351)</u> | <u>-</u> | <u>(351)</u> |
| Total activity | <u>(1,208)</u> | <u>2</u> | <u>(1,206)</u> |
| Endowment net assets, June 30, 2022 | <u>\$ 1,825</u> | <u>\$ 6,876</u> | <u>\$ 8,702</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2022 and 2021
(Dollars in thousands)**

Changes in endowment investments for year ended June 30, 2021 follow:

| | With Donor Restrictions | | Total |
|-------------------------------------|-------------------------|---------------|----------|
| | Accumulated Gains | Original Gift | |
| Endowment net assets, July 1, 2020 | \$ 1,043 | \$ 6,811 | \$ 7,854 |
| Activity: | | | |
| Additions/contributions | - | 63 | 63 |
| Net gains (realized and unrealized) | 2,293 | - | 2,293 |
| Appropriated for operations | (302) | - | (302) |
| Total activity | 1,991 | 63 | 2,054 |
| Endowment net assets, June 30, 2021 | \$ 3,034 | \$ 6,874 | \$ 9,908 |

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. For the years ended June 30, 2022 and 2021, endowment earnings with donor stipulations amounted to \$(857) and \$2,293, 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 Agency's 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, 2022 and 2021, Children's Aid had no individual funds that had fair values below their original corpus values.

Permanently restricted endowment net assets amounting to \$6,876 and \$6,874 are included with investments on the consolidated statements of financial position as of June 30, 2022 and 2021, respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 9 - NET ASSETS

Net assets with donor restrictions related to time and purpose consist of the following as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Time restricted/other | \$ 211 | \$ 346 |
| Child welfare and family services | 2,360 | 831 |
| Early childhood | 85 | 9 |
| Health and wellness | 103 | 347 |
| National center for community schools | 2,467 | 1,814 |
| Youth | <u>5,155</u> | <u>5,392</u> |
| Subtotal | 10,381 | 8,739 |
| Donor permanently-restricted endowment | <u>6,876</u> | <u>6,874</u> |
| Total | <u>\$ 17,257</u> | <u>\$ 15,613</u> |

Net assets totaling \$10,992 and \$10,215 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2022 and 2021, respectively. There is a real estate reserve balance of \$20,531 and \$23,660 for 2022 and 2021 respectively designated by the Board to support real estate activities including capital construction project costs.

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Passage of time | \$ 1,393 | \$ 1,288 |
| Youth programs | 5,302 | 4,611 |
| Child welfare and family service programs | 933 | 1,939 |
| Early childhood programs | 1,046 | 805 |
| Health and wellness programs | 483 | 344 |
| National center for community schools | <u>2,105</u> | <u>1,228</u> |
| Total | <u>\$ 10,992</u> | <u>\$ 10,215</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 Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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.

The funded status of the Plans at June 30, 2022 is as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|--|---------------------|---------------------------------|------------------|
| Change in benefit obligation: | | | |
| Benefit obligation at July 1, 2021 | \$ 122,618 | \$ 12,758 | \$ 135,376 |
| Interest cost | 3,429 | 361 | 3,790 |
| Service cost | - | 331 | 331 |
| Amendments | - | - | - |
| Actuarial gain | (27,364) | (3,914) | (31,278) |
| Benefits paid | (4,483) | (317) | (4,800) |
| | <u>94,200</u> | <u>9,219</u> | <u>103,419</u> |
| Benefit obligation at June 30, 2022 | | | |
| Change in plan assets: | | | |
| Fair value of plan assets at July 1, 2021 | 87,465 | - | 87,465 |
| Actual return on plan assets | (11,251) | - | (11,251) |
| Employer contributions | 3,288 | - | 3,288 |
| Benefits paid | (4,482) | - | (4,482) |
| | <u>75,020</u> | <u>-</u> | <u>75,020</u> |
| Fair value of plan assets at June 30, 2022 | | | |
| Unfunded status | <u>\$ 19,180</u> | <u>\$ 9,219</u> | <u>\$ 28,399</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

The funded status of the Plans at June 30, 2021 is as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|--|---------------------|---------------------------------|------------------|
| Change in benefit obligation: | | | |
| Benefit obligation at July 1, 2020 | \$ 126,490 | \$ 14,344 | \$ 140,834 |
| Interest cost | 3,479 | 404 | 3,883 |
| Service cost | - | 452 | 452 |
| Amendments | - | (615) | (615) |
| Actuarial gain | (4,268) | (1,504) | (5,772) |
| Benefits paid | (3,083) | (323) | (3,406) |
| | <u>122,618</u> | <u>12,758</u> | <u>135,376</u> |
| Benefit obligation at June 30, 2021 | | | |
| Change in plan assets: | | | |
| Fair value of plan assets at July 1, 2020 | 68,525 | - | 68,525 |
| Actual return on plan assets | 18,156 | - | 18,156 |
| Employer contributions | 3,867 | - | 3,867 |
| Benefits paid | (3,083) | - | (3,083) |
| | <u>87,465</u> | <u>-</u> | <u>87,465</u> |
| Fair value of plan assets at June 30, 2021 | | | |
| Unfunded status | <u>\$ 35,153</u> | <u>\$ 12,758</u> | <u>\$ 47,911</u> |

Amounts recognized in net assets without donor restrictions for the Plans consist of the following as of June 30, 2022:

| | Pension Benefits | Post- Retirement Benefits | Total |
|---------------------------|---------------------|---------------------------------|-----------------|
| Net actuarial loss (gain) | \$ 16,253 | \$ (7,483) | \$ 8,770 |
| Transition obligation | (174) | (398) | (572) |
| | <u>\$ 16,079</u> | <u>\$ (7,881)</u> | <u>\$ 8,198</u> |

Amounts recognized in net assets without donor restrictions for the Plans consist of the following as of June 30, 2021:

| | Pension Benefits | Post- Retirement Benefits | Total |
|---------------------------|---------------------|---------------------------------|------------------|
| Net actuarial loss (gain) | \$ 29,087 | \$ (3,829) | \$ 25,258 |
| Transition obligation | (348) | (480) | (828) |
| | <u>\$ 28,739</u> | <u>\$ (4,309)</u> | <u>\$ 24,430</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

The components of net periodic benefit cost for the Plans for the year ended June 30, 2022 are as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|--------------------------------------|---------------------|---------------------------------|---------------|
| Interest cost | \$ 3,429 | \$ 361 | \$ 3,790 |
| Service cost | - | 331 | 331 |
| Expected return on plan assets | (5,459) | - | (5,459) |
| Amortization of net loss | 2,180 | (260) | 1,920 |
| Amortization of prior service cost | - | (82) | (82) |
| Amortization of net transition asset | (174) | - | (174) |
| | <u>\$ (24)</u> | <u>\$ 350</u> | <u>\$ 326</u> |

The components of net periodic benefit cost for the Plans for the year ended June 30, 2021 are as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|--------------------------------------|---------------------|---------------------------------|-----------------|
| Interest cost | \$ 3,479 | \$ 404 | \$ 3,883 |
| Service cost | - | 452 | 452 |
| Expected return on plan assets | (4,282) | - | (4,282) |
| Amortization of net loss | 5,088 | (73) | 5,015 |
| Amortization of prior service cost | - | (697) | (697) |
| Amortization of net transition asset | (174) | - | (174) |
| | <u>\$ 4,111</u> | <u>\$ 86</u> | <u>\$ 4,197</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, 2022 are as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|---|---------------------|---------------------------------|--------------------|
| Net gain | \$ (12,834) | \$ (3,654) | \$ (16,488) |
| Net prior service cost | - | - | - |
| Amortization of prior service cost | 174 | 82 | 256 |
| Total recognized in change in net assets without donor restrictions | <u>\$ (12,660)</u> | <u>\$ (3,572)</u> | <u>\$ (16,232)</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars 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, 2021 are as follows:

| | Pension Benefits | Post- Retirement Benefits | Total |
|---|---------------------|---------------------------------|--------------------|
| Net gain | \$ (23,230) | \$ (1,431) | \$ (24,661) |
| Net prior service cost | - | (615) | (615) |
| Amortization of prior service cost | 174 | 697 | 871 |
| Total recognized in change in net assets without donor restrictions | <u>\$ (23,056)</u> | <u>\$ (1,349)</u> | <u>\$ (24,405)</u> |

For the years ended June 30, 2022 and 2021, Children's Aid made total contributions of \$3,288 and \$3,867, respectively, into the defined-benefit pension plan and expects to meet the minimum required contributions for the plan years 2022 and 2021.

The weighted-average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|--------------------------------|-------|-------|
| Discount rate | 4.63% | 2.85% |
| Expected return on plan assets | 6.24% | 6.24% |
| Salary increase | 0.00% | 0.00% |

The weighted-average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|-----------------|-------|-------|
| Discount rate | 4.65% | 2.86% |
| Salary increase | 3.00% | 3.00% |

The assumed health care cost trend rate at June 30, 2022 is 3.94%. Increasing the assumed medical care cost trend rate by 1% would increase the accumulated postretirement benefit obligation by \$88 as of June 30, 2021, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2022 by \$1,329.

Decreasing the assumed health care cost trend rate by 1% would increase the accumulated postretirement benefit obligation by \$69 as of June 30, 2022, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2022 by \$1,069.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 Benefits | Post- Retirement Benefits |
|------------|---------------------|---------------------------------|
| 2023 | \$ 4,473 | \$ 395 |
| 2024 | 4,364 | 401 |
| 2025 | 4,469 | 412 |
| 2026 | 4,532 | 421 |
| 2027 | 4,742 | 435 |
| Thereafter | 25,740 | 2,446 |

The defined benefit plan assets reported at fair value at June 30, 2022 classified as Level 1, except for those reported at fair value using NAV, which are separately presented, are as follows:

| | Level 1 | NAV | Total |
|----------------------------------|------------------|------------------|------------------|
| Cash and money market funds | \$ 5,272 | \$ - | \$ 5,272 |
| Global equities | 20,917 | - | 20,917 |
| Emerging markets equities | - | 14,690 | 14,690 |
| Fixed income | 16,138 | - | 16,138 |
| Real estate/private capital | 1,410 | 16,593 | 18,003 |
| Total investments, at fair value | <u>\$ 43,737</u> | <u>\$ 31,283</u> | <u>\$ 75,020</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, 2022.

| Type | NAV in Funds | # of Funds | \$ Amount of Unfunded Commitments | Redemption Frequency | Redemption Restrictions | Redemption Notice Period |
|-----------------------------|------------------|------------|---|-------------------------|--|-----------------------------|
| Real estate/private capital | \$ 16,593 | 7 | \$ - | Monthly to annual | 1-Yr Hard; 1-Yr Soft 2.5% early withdrawal fee after an 5% aggregate withdrawal during the Soft Lock, Rolling 1 year | 30 - 90 days |
| Emerging markets equities | 14,690 | 6 | - | Monthly to quarterly | None | 30 - 100 days |
| | <u>\$ 31,283</u> | <u>13</u> | <u>\$ -</u> | | | |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

The defined benefit plan assets reported at fair value at June 30, 2021 classified as Level 1, except for those reported at fair value using NAV, which are separately presented, are as follows:

| | Level 1 | NAV | Total |
|----------------------------------|------------------|------------------|------------------|
| Cash and money market funds | \$ 4,314 | \$ - | \$ 4,314 |
| Global equities | 26,662 | - | 26,662 |
| Emerging markets equities | - | 14,050 | 14,050 |
| Fixed income | 16,422 | - | 16,422 |
| Real estate/private capital | 1,184 | 24,833 | 26,017 |
| | <u>\$ 48,582</u> | <u>\$ 38,883</u> | <u>\$ 87,465</u> |
| Total investments, at fair value | | | |

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, 2021:

| Type | NAV in Funds | # of Funds | \$ Amount of Unfunded Commitments | Redemption Frequency | Redemption Restrictions | Redemption Notice Period |
|-----------------------------|------------------|------------|-----------------------------------|----------------------|---|--------------------------|
| Real estate/private capital | \$ 24,833 | 6 | \$ - | Monthly to annual | Rolling 1 year, 1 year hard, 1 year soft, 5% early withdrawal fee | 6 - 90 days |
| Emerging markets equities | 14,050 | 7 | - | Monthly to annual | 2-year hardlock | 30 - 100 days |
| | <u>\$ 38,883</u> | <u>13</u> | <u>\$ -</u> | | | |

During the year ended June 30, 2022, 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

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires the recognition of rights and obligations arising from lease contracts - existing and new arrangements - as right-of-use assets and lease liabilities on the balance sheet.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

The Agency adopted ASU 2016-02, as amended, as of July 1, 2020, using a modified retrospective transition method. In adopting Topic 842, the Agency elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Agency to not reassess definition of a lease, lease classification, and initial direct costs. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities totaling \$28,160 and \$30,189 as of June 30, 2022 and 2021 respectively. The lease standard did not materially impact the Agency's consolidated changes in net assets and had no impact on cash flows.

Lease Obligations

The Agency predominantly enters into operating leases for the right to use office buildings and equipment.

During the year ended June 30, 2022, the Agency incurred total operating lease costs in the amount of \$4,523 and paid \$3,502 for amounts included in the measurement of operating lease liabilities. The total weighted-average remaining lease term was 9.11 years, and the weighted-average discount rate used to calculate the present value of future minimum lease payments was .73%. The Agency elected to use the practical expedient available to nonpublic entities to use a risk-free rate to discount the lease payments.

During the year ended June 30, 2021, the Agency incurred total operating lease costs in the amount of \$4,501 and paid \$3,426 for amounts included in the measurement of operating lease liabilities. The total weighted-average remaining lease term was 10.8 years, and the weighted-average discount rate used to calculate the present value of future minimum lease payments was .79%. The Agency elected to use the practical expedient available to nonpublic entities to use a risk-free rate to discount the lease payments.

The Agency elected the option to combine lease and non-lease components for the class of all underlying assets.

At June 30, 2022, future lease payments pursuant to New York City non-cancellable office lease agreements and other operating space and equipment leases, all classified as operating leases, are as follows:

Years ending June 30,

| | | |
|---|----|----------------|
| 2023 | \$ | 3,709 |
| 2024 | | 3,648 |
| 2025 | | 3,654 |
| 2026 | | 3,301 |
| 2027 | | 2,785 |
| Thereafter | | <u>12,071</u> |
| | \$ | <u>29,168</u> |
| Reconciliation | | |
| Undiscounted lease payments as of June 30, 2022 | \$ | 29,168 |
| Less: Discounting of lease payments | | <u>(1,008)</u> |
| | \$ | <u>28,160</u> |

Total rent expense for the years ended June 30, 2022 and 2021 totaled \$5,302 and \$4,963, respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

Other Contingencies

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.

Children's Aid's contractual relationships with the New York City-based 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.

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 \$16,314, as of June 30, 2022.

NOTE 13 - RELATED-PARTY TRANSACTIONS

In fiscal year 2012, Children's Aid started the Children's Aid College Prep Charter School ("Charter School") an unrelated, nonconsolidated entity. 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% of total operating expenses, excluding rent and depreciation to Children's Aid for the administrative services it provides, which amounted to \$934 and \$862 for the years ended June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, the wrap-around services and other charges amounted to \$1,414 and \$1,150, respectively.

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 placed into service on October 9, 2017, and rental payments from the Charter School to 1232 LLC commenced on October 15, 2017. Lease payments and other costs from the Charter School to 1232 LLC totaled \$2,000 and \$2,208 for each of the years ended June 30, 2022 and 2021.

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. Children's Aid also directly contributes funding to the Charter School which amounted to \$500,000 for both years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, the Charter School owed \$808 and \$357, 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 Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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

Investments in equity securities 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.).

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, 2022 and 2021, there were no transfers in or out of Level 1, 2 or 3.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

Financial assets reported at fair value at June 30, 2022 are classified as Level 1, except for those reported at fair value using NAV, which are separately presented, in the table as follows:

| | <u>Level 1</u> | <u>NAV</u> | <u>Total</u> |
|----------------------------------|-------------------|-------------------|-------------------|
| Cash and money market funds | \$ 13,127 | \$ - | \$ 13,127 |
| Equity securities: | | | |
| Global equities | <u>73,924</u> | <u>-</u> | <u>73,924</u> |
| Fixed income: | | | |
| Mutual funds | <u>24,001</u> | <u>-</u> | <u>24,001</u> |
| Alternative investments: | | | |
| Private capital | - | 37,739 | 37,739 |
| Limited partnership interests | - | 6,309 | 6,309 |
| Global equities | - | 37,072 | 37,072 |
| International commingled funds | - | 13,270 | 13,270 |
| U.S. commingled funds | - | 41,885 | 41,885 |
| Mutual funds | - | 5,739 | 5,739 |
| Hedge funds | - | 42,483 | 42,483 |
| Emerging markets equity fund | <u>-</u> | <u>12,174</u> | <u>12,174</u> |
| Total alternate investments | <u>-</u> | <u>196,671</u> | <u>196,671</u> |
| Total investments, at fair value | <u>\$ 111,052</u> | <u>\$ 196,671</u> | <u>\$ 307,723</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

Financial assets reported at fair value at June 30, 2021 are classified as Level 1, except for those reported at fair value using NAV, which are separately presented, in the table as follows:

| | <u>Level 1</u> | <u>NAV</u> | <u>Total</u> |
|----------------------------------|-------------------|-------------------|-------------------|
| Cash and money market funds | \$ 4,607 | \$ - | \$ 4,607 |
| Equity securities: | | | |
| Global equities | <u>70,919</u> | <u>-</u> | <u>70,919</u> |
| Fixed income: | | | |
| Mutual funds | <u>26,284</u> | <u>-</u> | <u>26,284</u> |
| Alternative investments: | | | |
| Private capital | - | 28,595 | 28,595 |
| Limited partnership interests | - | 5,596 | 5,596 |
| Global equities | - | 58,312 | 58,312 |
| International commingled funds | - | 11,259 | 11,259 |
| U.S. commingled funds | - | 65,532 | 65,532 |
| Mutual funds | - | 8,692 | 8,692 |
| Hedge funds | - | 68,317 | 68,317 |
| Emerging markets equity fund | <u>-</u> | <u>9,042</u> | <u>9,042</u> |
| Total alternate investments | <u>-</u> | <u>255,345</u> | <u>255,345</u> |
| Total investments, at fair value | <u>\$ 101,810</u> | <u>\$ 255,345</u> | <u>\$ 357,155</u> |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars 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, 2022:

| Type | NAV in Funds | # of Funds | \$ Amount of Unfunded Commitments | Redemption Frequency | Redemption Restrictions | Redemption Notice Period |
|--------------------------------|-------------------|------------|-----------------------------------|---|---|------------------------------------|
| Private capital | \$ 37,739 | 1 | \$ 38,221 | 8 Years After First Close | N/A | N/A |
| Limited partnership | 6,309 | 1 | - | Semi-annual | 2 Yr hard 1-Yr Hard; 1-Yr Soft 2.5% early withdrawal fee after an 5% aggregate withdrawal during the Soft Lock | 60 days |
| Global equities | 38,072 | 4 | - | Monthly-semi annual | None | 30 to 90 days |
| International commingled funds | 13,270 | 2 | - | Quarterly and semi annual | None | 65 to 100 days |
| U.S. commingled funds | 41,885 | 7 | - | Daily, Twice Monthly, Monthly, Quarterly | 2-Yr hard lock | 5 days to 60 business days |
| Mutual funds | 5,739 | 2 | - | Monthly, Monthly, Quarterly, quarterly, Twice-Monthly, Monthly, Quarterly | None | 60 days |
| Hedge funds | 43,983 | 9 | - | Semi Annual to Annual | 1 Yr hard, 1 Yr, soft 5% early withdrawal fee | 5 days, 6 business days to 90 days |
| Emerging markets equity fund | 12,174 | 2 | 5,008 | Quarterly | None | N/A |
| Total | \$ 199,171 | 27 | \$ 43,229 | | | |

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars 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, 2021:

| Type | NAV in Funds | # of Funds | \$ Amount of Unfunded Commitments | Redemption Frequency | Redemption Restrictions | Redemption Notice Period |
|--------------------------------|--------------|------------|-----------------------------------|---------------------------------|---|--------------------------|
| Private capital | \$ 28,595 | 1 | \$ 27,885 | N/A | 1 year hard, 1 year soft, 5% early w/d fee | N/A |
| Limited partnership | 5,596 | 1 | - | Semi-annual | 1 year hard, 1 year soft, 2.5% early withdrawal fee | 60 days |
| Global equities | 58,312 | 4 | - | Monthly, quarterly, semi annual | None | 30 to 90 days |
| International commingled funds | 11,259 | 2 | - | Quarterly and semi annual | None | 60 to 90 days |
| U.S. commingled funds | 65,532 | 10 | - | Daily, monthly, quarterly | 2 year hard | 3 to 60 days |
| Mutual funds | 8,692 | 2 | - | Monthly, quarterly | None | 60 days |
| Hedge funds | 68,317 | 9 | - | Twice Monthly, annual | 1 year hard, 2 year soft 5% early withdrawal fee | 5 to 90 days |
| Emerging markets equity fund | 9,042 | 1 | 6,734 | Quarterly | None | N/A |
| Total | \$ 255,345 | 30 | \$ 34,619 | | | |

During the year ended June 30, 2022, 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.

Emerging Markets Equity Fund - includes diverse investments providing long-term capital appreciation by investing primarily in global emerging markets. 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 the terms of such agreements for 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, if any, 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 \$259 and \$306 as of June 30, 2022 and 2021, 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, 2022 and 2021, amounted to \$198 and \$243, respectively, and have been calculated using discount rates of 3.6% and 1.2% at June 30, 2022 and 2021, 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. For the years ended June 30, 2022 and 2021, donors made no contributions into the annuity fund.

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 \$1,355 and \$1,521 as of June 30, 2022 and 2021, 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, 2022 and 2021 amounted to \$1,088 and \$674, respectively. This annuity payment liability has been included in split-interest agreement obligations in the accompanying consolidated statements of financial position. No contributions were made to the pooled income fund during the years ended June 30, 2022 and 2021.

NOTE 16 - VOLUNTARY RETIREMENT PLAN AND SUPPLEMENTAL RETIREMENT PLAN

Children's Aid offers a 403(b) defined contribution retirement plan covering all employees who are not covered by a collective bargaining agreement. All employees can make voluntary salary reduction contributions which vest in their plan immediately. For full-time employees hired on or after January 1, 2012, Children's Aid makes a 3% employer contribution to the plan and will match a further 2% to the plan after a one-year waiting period. Employer contributions cliff-vest three years after date of hire. Employees hired before 2012 have employer contributions that exceed the above amounts on a sliding scale basis. Employer contributions amounted to \$2,703 and \$2,332 for the years ended June 30, 2022 and 2021, respectively.

Children's Aid offers a 457(b) Supplemental Executive Retirement Plan for specified senior officers of Children's Aid. There were \$232 and \$216 of accrued benefits under the plan as of June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, related benefit costs totaled \$41 and \$20 respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2022 and 2021
(Dollars in thousands)**

NOTE 17 - BONDS PAYABLE, NET

On July 1, 2015, 1232 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 \$3,518 at June 30, 2022.

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, 2022 and 2021, amortization amounted to \$116 and \$116, respectively. Deferred financing costs (net of amortization) of \$512 and \$534 as of June 30, 2022 and 2021, respectively, which are netted with bonds payable are being amortized over the life of the bonds. For the years ended June 30, 2022 and 2021, amortization expense amounted to \$22 each year.

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 124th 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, 2022 and 2021, amortization amounted to \$142 and \$142, respectively. Deferred financing costs (net of amortization) of \$661 and \$685 as of June 30, 2022 and 2021, respectively, which are netted with bonds payable are being amortized over the life of the bonds. For the years ended June 30, 2022 and 2021, amortization expense amounted to \$24 each year.

Future annual principal payments on all bonds are as follows for the years subsequent to June 30, 2022:

Years Ending June 30,

| | | |
|--------------------------------|----|---------|
| 2023 | \$ | 1,040 |
| 2024 | | 1,090 |
| 2025 | | 1,150 |
| 2026 | | 1,205 |
| 2027 | | 1,270 |
| Thereafter | | 62,480 |
| Subtotal | | 68,235 |
| Add: Bond premium, net | | 6,515 |
| Less: Bond issuance costs, net | | (1,173) |
| Total | \$ | 73,577 |

NOTE 18 - BANK LINE OF CREDIT

Children's Aid renewed a two-year revolving line of credit facility on December 20, 2021 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the consolidated statements of financial position through December 15, 2022, the date the consolidated financial statements were issued. management is not aware of any subsequent events which would require recognition or disclosures in the consolidated financial statements.

SUPPLEMENTAL SCHEDULES

The Children's Aid Society
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

As of June 30, 2022
(Dollars in thousands)

| | June 30, 2022 | | | | | June 30, 2021 | | | | | | |
|--|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------|
| | 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 |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 15,705 | \$ 274 | \$ - | \$ 1,682 | \$ - | \$ 17,661 | \$ 14,328 | \$ 417 | \$ 3 | \$ 1,835 | \$ - | \$ 16,583 |
| Accounts and grants receivable, net | 56,368 | 178 | 13 | 120 | (20,070) | 36,609 | 52,417 | 127 | 10 | 409 | (19,652) | 33,311 |
| Contributions receivable | 5,064 | - | - | - | - | 5,064 | 638 | - | - | - | - | 638 |
| Prepaid expenses and other assets | 3,658 | 14 | - | 38 | - | 3,710 | 3,042 | 23 | - | 7 | - | 3,072 |
| Investments | 307,723 | - | - | - | - | 307,723 | 357,155 | - | - | - | - | 357,155 |
| Split-interest agreement investments | 1,614 | - | - | - | - | 1,614 | 1,827 | - | - | - | - | 1,827 |
| Investment in LLC's | 9,002 | - | - | - | (9,002) | - | 9,002 | - | - | - | (9,002) | - |
| Property and equipment, net | 58,590 | 9,522 | 1,737 | 42,620 | - | 112,469 | 59,300 | 9,819 | 1,737 | 43,645 | - | 114,501 |
| Operating right-of-use assets | 28,160 | - | - | - | - | 28,160 | 30,189 | - | - | - | - | 30,189 |
| Total assets | \$ 485,884 | \$ 9,988 | \$ 1,750 | \$ 44,460 | \$ (29,072) | \$ 513,010 | \$ 527,898 | \$ 10,386 | \$ 1,750 | \$ 45,896 | \$ (28,654) | \$ 557,276 |
| LIABILITIES | | | | | | | | | | | | |
| Accounts payable | \$ 2,530 | \$ 2,752 | \$ 101 | \$ 17,249 | \$ (20,057) | \$ 2,575 | \$ 2,126 | \$ 4,003 | \$ 100 | \$ 15,539 | \$ (19,651) | \$ 2,117 |
| Accrued expenses | 12,970 | - | - | 810 | - | 13,780 | 12,625 | 14 | - | 828 | - | 13,467 |
| Deferred revenue | 7,300 | - | - | - | - | 7,300 | 4,868 | - | - | - | - | 4,868 |
| Split-interest agreement obligations | 1,286 | - | - | - | - | 1,286 | 917 | - | - | - | - | 917 |
| Bonds payable, net | 37,597 | - | - | 35,980 | - | 73,577 | 37,848 | - | - | 36,676 | - | 74,524 |
| Accrued pension and post-retirement obligations, net | 28,399 | - | - | - | - | 28,399 | 47,911 | - | - | - | - | 47,911 |
| Other liabilities | 186 | - | - | - | (13) | 173 | 1,685 | - | - | - | - | 1,685 |
| Operating lease liabilities | 28,160 | - | - | - | - | 28,160 | 30,189 | - | - | - | - | 30,189 |
| Total liabilities | 118,428 | 2,752 | 101 | 54,039 | (20,070) | 155,250 | 138,169 | 4,017 | 100 | 53,043 | (19,651) | 175,678 |
| NET ASSETS (Note 2) | | | | | | | | | | | | |
| Without donor restrictions | 350,199 | 7,236 | 1,649 | (9,579) | (9,002) | 340,503 | 374,116 | 6,369 | 1,650 | (7,147) | (9,003) | 365,985 |
| With donor restrictions | 17,257 | - | - | - | - | 17,257 | 15,613 | - | - | - | - | 15,613 |
| Total net assets | 367,456 | 7,236 | 1,649 | (9,579) | (9,002) | 357,760 | 389,729 | 6,369 | 1,650 | (7,147) | (9,003) | 381,598 |
| Total liabilities and net asset: | \$ 485,884 | \$ 9,988 | \$ 1,750 | \$ 44,460 | \$ (29,072) | \$ 513,010 | \$ 527,898 | \$ 10,386 | \$ 1,750 | \$ 45,896 | \$ (28,654) | \$ 557,276 |

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, 2022
(Dollars in thousands)

| | <u>Children's Aid Society</u> | | | | | | <u>Consolidated Total</u> | | | |
|---|-----------------------------------|--------------------------------|-------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|--------------------------------|-------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>910 East 172nd Street, LLC</u> | <u>1218 Southern Blvd., LLC</u> | <u>1232 Southern Blvd., LLC</u> | <u>Consolidating Eliminations</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Operating revenue and support | | | | | | | | | | |
| Government support | \$ 98,302 | \$ - | \$ 98,302 | \$ - | \$ - | \$ - | \$ - | \$ 98,302 | \$ - | \$ 98,302 |
| Program services fees | 11,739 | - | 11,739 | - | - | - | - | 11,739 | - | 11,739 |
| Contributions | 11,486 | 12,760 | 24,246 | - | - | - | - | 11,486 | 12,760 | 24,246 |
| Planned giving | 360 | - | 360 | - | - | - | - | 360 | - | 360 |
| Rental income | - | - | - | 1,403 | - | 2,000 | (701) | 2,702 | - | 2,702 |
| Investment return used for operations and special initiatives | 13,288 | - | 13,288 | - | - | - | - | 13,288 | - | 13,288 |
| Other revenue | 4,155 | (124) | 4,031 | 59 | - | 117 | - | 4,331 | (124) | 4,207 |
| In-kind contributions | 2,344 | - | 2,344 | - | - | - | - | 2,344 | - | 2,344 |
| Net assets released from the real estate net asset fund | - | - | - | - | - | - | - | - | - | - |
| Net assets released from restrictions for operations | 10,992 | (10,992) | - | - | - | (10,992) | - | 10,992 | (10,992) | - |
| Total operating revenue and support | 152,666 | 1,644 | 154,310 | 1,462 | - | 2,117 | (701) | 155,544 | 1,644 | 157,188 |
| Operating expenses | | | | | | | | | | |
| Program services | | | | | | | | | | |
| Early childhood | 14,947 | - | 14,947 | - | - | - | - | 14,947 | - | 14,947 |
| Youth | 29,072 | - | 29,072 | - | - | 4,549 | - | 33,621 | - | 33,621 |
| Health and wellness | 19,319 | - | 19,319 | 297 | 1 | - | (352) | 19,265 | - | 19,265 |
| Child welfare and family services | 52,282 | - | 52,282 | 298 | - | - | (350) | 52,230 | - | 52,230 |
| Collective impact and national center for community schools | 2,127 | - | 2,127 | - | - | - | - | 2,127 | - | 2,127 |
| Total program services | 117,747 | - | 117,747 | 595 | 1 | 4,549 | (702) | 122,190 | - | 122,190 |
| Supporting services | | | | | | | | | | |
| Management and general | 23,275 | - | 23,275 | - | - | - | - | 23,275 | - | 23,275 |
| Fundraising | 4,059 | - | 4,059 | - | - | - | - | 4,059 | - | 4,059 |
| Total supporting services | 27,334 | - | 27,334 | - | - | - | - | 27,334 | - | 27,334 |
| Total operating expenses | 145,081 | - | 145,081 | 595 | 1 | 4,549 | (702) | 149,524 | - | 149,524 |
| Changes in net assets from operations | 7,585 | 1,644 | 9,229 | 867 | (1) | (2,432) | 1 | 6,020 | 1,644 | 7,664 |
| Non-operating activities | | | | | | | | | | |
| Net assets released from the real estate investment fund | - | - | - | - | - | - | - | - | - | - |
| Investment return net of amount used for operations | (47,299) | - | (47,299) | - | - | - | - | (47,299) | - | (47,299) |
| Change in value of split-interest agreements | (435) | - | (435) | - | - | - | - | (435) | - | (435) |
| Pension-related activity | 16,232 | - | 16,232 | - | - | - | - | 16,232 | - | 16,232 |
| Gain on sale of assets | - | - | - | - | - | - | - | - | - | - |
| Changes in net assets from non-operating activities | (31,502) | - | (31,502) | - | - | - | - | (31,502) | - | (31,502) |
| CHANGES IN TOTAL NET ASSETS | (23,917) | 1,644 | (22,273) | 867 | (1) | (2,432) | 1 | (25,482) | 1,644 | (23,838) |
| Net assets - beginning of year | 374,116 | 15,613 | 389,729 | 6,369 | 1,650 | (7,147) | (9,003) | 365,985 | 15,613 | 381,598 |
| Net assets - end of year | <u>\$ 350,199</u> | <u>\$ 17,257</u> | <u>\$ 367,456</u> | <u>\$ 7,236</u> | <u>\$ 1,649</u> | <u>\$ (9,579)</u> | <u>\$ (9,002)</u> | <u>\$ 340,503</u> | <u>\$ 17,257</u> | <u>\$ 357,760</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, 2021
(Dollars in thousands)

| | <u>Children's Aid Society</u> | | | | | | <u>Consolidated Total</u> | | | |
|---|---------------------------------------|------------------------------------|-------------------|---------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|-------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>910 East 172nd Street, LLC</u> | <u>1218 Southern Blvd., LLC</u> | <u>1232 Southern Blvd., LLC</u> | <u>Consolidating Eliminations</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Operating revenue and support | | | | | | | | | | |
| Government support | \$ 90,576 | \$ - | \$ 90,576 | \$ - | \$ - | \$ - | \$ - | \$ 90,576 | \$ - | \$ 90,576 |
| Program services fees | 11,967 | - | 11,967 | - | - | - | - | 11,967 | - | 11,967 |
| Contributions | 9,275 | 9,921 | 19,196 | - | - | - | - | 9,275 | 9,921 | 19,196 |
| Planned giving | 1,226 | 63 | 1,289 | - | - | - | - | 1,226 | 63 | 1,289 |
| Rental income | - | - | - | 1,225 | - | 2,208 | (701) | 2,732 | - | 2,732 |
| Investment return used for operations and special initiatives | 13,088 | - | 13,088 | - | - | - | - | 13,088 | - | 13,088 |
| Other revenue | 2,593 | (153) | 2,440 | - | - | 174 | - | 2,767 | (153) | 2,614 |
| In-kind contributions | 1,171 | 40 | 1,211 | - | - | - | - | 1,171 | 40 | 1,211 |
| Net assets released from the real estate net asset fund | 171 | - | 171 | - | - | - | - | 171 | - | 171 |
| Net assets released from restrictions for operations | 10,215 | (10,215) | - | - | - | - | - | 10,215 | (10,215) | - |
| Total operating revenue and support | 140,282 | (344) | 139,938 | 1,225 | - | 2,382 | (701) | 143,188 | (344) | 142,844 |
| Operating expenses | | | | | | | | | | |
| Program services | | | | | | | | | | |
| Early childhood | 15,837 | - | 15,837 | - | - | - | - | 15,837 | - | 15,837 |
| Youth | 23,328 | - | 23,328 | - | - | 4,556 | - | 27,884 | - | 27,884 |
| Health and wellness | 16,907 | - | 16,907 | 280 | - | - | (350) | 16,837 | - | 16,837 |
| Child welfare and family services | 53,025 | - | 53,025 | 280 | - | - | (350) | 52,955 | - | 52,955 |
| Collective impact and national center for community schools | 2,348 | - | 2,348 | - | - | - | - | 2,348 | - | 2,348 |
| Total program services | 111,445 | - | 111,445 | 560 | - | 4,556 | (700) | 115,861 | - | 115,861 |
| Supporting services | | | | | | | | | | |
| Management and general | 21,376 | - | 21,376 | - | - | - | - | 21,376 | - | 21,376 |
| Fundraising | 3,426 | - | 3,426 | - | - | - | - | 3,426 | - | 3,426 |
| Total supporting services | 24,802 | - | 24,802 | - | - | - | - | 24,802 | - | 24,802 |
| Total operating expenses | 136,247 | - | 136,247 | 560 | - | 4,556 | (700) | 140,663 | - | 140,663 |
| Changes in net assets from operations | 4,035 | (344) | 3,691 | 665 | - | (2,174) | (1) | 2,525 | (344) | 2,181 |
| Non-operating activities | | | | | | | | | | |
| Net assets released from the real estate investment fund | (171) | - | (171) | - | - | - | - | (171) | - | (171) |
| Investment return net of amount used for operations | 67,698 | - | 67,698 | - | - | - | - | 67,698 | - | 67,698 |
| Change in value of split-interest agreements | (361) | - | (361) | - | - | - | - | (361) | - | (361) |
| Pension-related activity | 24,405 | - | 24,405 | - | - | - | - | 24,405 | - | 24,405 |
| Gain on sale of assets | - | - | - | - | - | - | - | - | - | - |
| Changes in net assets from non-operating activities | 91,571 | - | 91,571 | - | - | - | - | 91,571 | - | 91,571 |
| CHANGES IN TOTAL NET ASSETS | 95,606 | (344) | 95,262 | 665 | - | (2,174) | (1) | 94,096 | (344) | 93,752 |
| Net assets - beginning of year | 278,510 | 15,957 | 294,467 | 5,704 | 1,650 | (4,973) | (9,002) | 271,889 | 15,957 | 287,846 |
| Net assets - end of year | <u>\$ 374,116</u> | <u>\$ 15,613</u> | <u>\$ 389,729</u> | <u>\$ 6,369</u> | <u>\$ 1,650</u> | <u>\$ (7,147)</u> | <u>\$ (9,003)</u> | <u>\$ 365,985</u> | <u>\$ 15,613</u> | <u>\$ 381,598</u> |

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