

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

The Children's Aid Society

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 as a whole. The accompanying supplementary information on pages 38 through 40 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling 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>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 16,297	\$ 17,661
Accounts and grants receivable, net	38,368	36,609
Contributions receivable	4,707	5,064
Prepaid expenses and other assets	3,256	3,710
Facilities acquisition escrow	1,400	-
Investments	328,200	307,723
Split-interest agreement investments	1,549	1,614
Property and equipment, net	110,817	112,469
Operating right-of-use assets	26,405	28,160
	<u>26,405</u>	<u>28,160</u>
Total assets	<u>\$ 530,999</u>	<u>\$ 513,010</u>
LIABILITIES		
Accounts payable	\$ 2,761	\$ 2,575
Accrued expenses	11,721	13,780
Deferred revenue	4,435	7,300
Split-interest obligations	1,267	1,286
Bonds payable, net	72,325	73,577
Accrued pension and post-retirement obligations, net	15,476	28,399
Other liabilities	3,321	173
Operating lease liabilities	26,405	28,160
	<u>26,405</u>	<u>28,160</u>
Total liabilities	<u>137,711</u>	<u>155,250</u>
NET ASSETS		
Without donor restrictions	374,249	340,503
With donor restrictions	19,039	17,257
	<u>19,039</u>	<u>17,257</u>
Total net assets	<u>393,288</u>	<u>357,760</u>
Total liabilities and net assets	<u>\$ 530,999</u>	<u>\$ 513,010</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)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
Operating revenue and support						
Government support	\$ 107,667	\$ -	\$ 107,667	\$ 98,302	\$ -	\$ 98,302
Program services fees	15,402	(20)	15,382	11,739	-	11,739
Contributions	6,432	11,158	17,590	11,486	12,760	24,246
Planned giving	2,071	4,538	6,609	360	-	360
Rental income	2,690	-	2,690	2,702	-	2,702
Investment return used for operations	14,197	-	14,197	13,288	-	13,288
Gain on sale of assets	14,364	-	14,364	-	-	-
Other revenue	3,752	(862)	2,890	4,331	(124)	4,207
In-kind contributions	2,414	-	2,414	2,344	-	2,344
Net assets released from restrictions for programs	13,032	(13,032)	-	10,992	(10,992)	-
Total operating revenue and support	182,021	1,782	183,803	155,544	1,644	157,188
Operating expenses						
Program services						
Early childhood	15,322	-	15,322	14,947	-	14,947
Youth	40,040	-	40,040	33,621	-	33,621
Health and wellness	21,900	-	21,900	19,265	-	19,265
Child welfare and family services	61,026	-	61,026	52,230	-	52,230
Collective impact and national center for community schools	2,530	-	2,530	2,127	-	2,127
Total program services	140,818	-	140,818	122,190	-	122,190
Supporting services						
Management and general	23,934	-	23,934	23,275	-	23,275
Fundraising	3,648	-	3,648	4,059	-	4,059
Total supporting services	27,582	-	27,582	27,334	-	27,334
Total operating expenses	168,400	-	168,400	149,524	-	149,524
Changes in net assets from operations	13,621	1,782	15,403	6,020	1,644	7,664
Non-operating activities						
Investment return net of amount used for operations	9,986	-	9,986	(47,299)	-	(47,299)
Change in value of split-interest agreements	(55)	-	(55)	(435)	-	(435)
Pension-related activity	10,194	-	10,194	16,232	-	16,232
Changes in net assets from non-operating activities	20,125	-	20,125	(31,502)	-	(31,502)
CHANGES IN NET ASSETS	33,746	1,782	35,528	(25,482)	1,644	(23,838)
Net assets - beginning of year	340,503	17,257	357,760	365,985	15,613	381,598
Net assets - end of year	\$ 374,249	\$ 19,039	\$ 393,288	\$ 340,503	\$ 17,257	\$ 357,760

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Salaries	\$ 9,068	\$ 8,665	\$ 22,996	\$ 18,805	\$ 13,869	\$ 11,853	\$ 26,363	\$ 23,771	\$ 1,284	\$ 1,130	\$ 73,580	\$ 64,224
Employee health and retirement benefits	1,917	1,995	2,062	1,861	2,254	1,930	4,435	4,117	222	201	10,890	10,104
Payroll taxes	785	757	1,987	1,627	1,201	1,014	2,279	2,059	110	97	6,362	5,554
Total salaries and related expenses	11,770	11,417	27,045	22,293	17,324	14,797	33,077	29,947	1,616	1,428	90,832	79,882
Professional fees	315	246	1,811	1,147	630	555	2,792	1,939	246	203	5,794	4,090
Supplies	526	679	1,054	1,017	478	516	266	259	13	17	2,337	2,488
Telephone and communications	44	55	245	222	240	213	697	641	9	6	1,235	1,137
Postage and shipping	3	1	9	5	7	6	37	54	2	6	58	72
Occupancy	632	703	1,379	1,189	366	378	4,086	3,733	157	132	6,620	6,135
Outside printing and promotion	43	41	15	1	23	17	29	10	35	11	145	80
Local travel and related expenses	7	3	299	119	30	28	1,082	789	61	29	1,479	968
Training, conferences, conventions, and partnership grants	271	240	709	813	73	77	125	176	171	179	1,349	1,485
Specific assistance for individuals	57	21	1,862	1,149	207	132	1,493	1,645	38	16	3,657	2,963
Foster boarding home	-	5	-	-	-	8	15,598	11,357	-	-	15,598	11,370
Repairs	4	2	14	37	61	44	-	2	2	-	81	85
Insurance	203	286	353	378	319	369	404	570	12	16	1,291	1,619
Membership dues	-	-	19	53	70	64	30	34	18	13	137	164
Food	239	152	756	544	190	377	61	(3)	40	5	1,286	1,075
Information technology	188	134	233	198	363	357	564	387	24	7	1,372	1,083
Depreciation and amortization	102	47	1,731	1,735	366	261	399	397	86	59	2,684	2,499
Interest	136	138	1,702	1,742	161	163	80	78	-	-	2,079	2,121
Miscellaneous	28	23	13	188	232	213	97	106	-	-	370	530
In-kind - other	754	754	791	791	760	690	109	109	-	-	2,414	2,344
Total expenses	\$ 15,322	\$ 14,947	\$ 40,040	\$ 33,621	\$ 21,900	\$ 19,265	\$ 61,026	\$ 52,230	\$ 2,530	\$ 2,127	\$ 140,818	\$ 122,190

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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Salaries	\$ 11,815	\$ 11,077	\$ 1,882	\$ 1,935	\$ 13,697	\$ 13,012	\$ 87,277	\$ 77,236
Employee health and retirement benefits	1,983	1,895	328	350	2,311	2,245	13,201	12,349
Payroll taxes	1,026	956	163	169	1,189	1,125	7,551	6,679
Total salaries and related expenses	14,824	13,928	2,373	2,454	17,197	16,382	108,029	96,264
Professional fees	3,051	3,175	173	287	3,224	3,462	9,018	7,552
Supplies	197	158	21	19	218	177	2,555	2,665
Telephone and communications	103	121	6	9	109	130	1,344	1,267
Postage and shipping	20	9	109	30	129	39	187	111
Occupancy	600	524	17	13	617	537	7,237	6,672
Outside printing and promotion	279	149	132	119	411	268	556	348
Local travel and related expenses	49	41	2	3	51	44	1,530	1,012
Training, conferences, conventions, and partnership grants	355	65	4	1	359	66	1,708	1,551
Special events	3	1	501	426	504	427	504	427
Specific assistance for individuals	79	29	-	-	79	29	3,736	2,992
Foster boarding home	5	1	-	-	5	1	15,603	11,371
Repairs	8	14	-	-	8	14	89	99
Insurance	184	226	27	35	211	261	1,502	1,880
Membership dues	36	30	-	-	36	30	173	194
Food	27	11	6	1	33	12	1,319	1,087
Information technology	1,413	1,320	90	464	1,503	1,784	2,875	2,867
Depreciation and amortization	1,770	2,138	106	115	1,876	2,253	4,560	4,752
Interest	835	908	80	81	915	989	2,994	3,110
Miscellaneous	96	427	1	2	97	429	467	959
In-kind - other	-	-	-	-	-	-	2,414	2,344
Total expenses	<u>\$ 23,934</u>	<u>\$ 23,275</u>	<u>\$ 3,648</u>	<u>\$ 4,059</u>	<u>\$ 27,582</u>	<u>\$ 27,334</u>	<u>\$ 168,400</u>	<u>\$ 149,524</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)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ 35,528	\$ (23,838)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	4,560	4,752
Amortization of deferred financing costs	47	47
Adjustments to obligation under split-interest agreements	55	436
Amortization of bond premium	(259)	(259)
Realized and unrealized (gain) loss on investments	<u>(24,128)</u>	<u>34,446</u>
Subtotal	15,803	15,584
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts and grants receivable	(1,759)	(3,298)
Contributions receivable	357	(4,426)
Facilities acquisition escrow	(1,400)	-
Prepaid expenses and other assets	454	(638)
(Decrease) increase in:		
Accounts payable	186	458
Accrued expenses	(2,059)	313
Accrued pension and post-retirement obligations	(12,923)	(19,512)
Deferred revenue	(2,865)	2,432
Split-interest obligations	(19)	369
Other liabilities	<u>3,148</u>	<u>(1,512)</u>
Net cash used in operating activities	<u>(1,077)</u>	<u>(10,230)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(992)	(869)
Purchases of investments	(129,317)	(201,189)
Proceeds from sale/maturity of investments	<u>133,029</u>	<u>216,388</u>
Net cash provided by investing activities	<u>2,720</u>	<u>14,330</u>
Cash flows from financing activities:		
Payments on bonds payable	(1,252)	(993)
Payments on leased ROU obligations	<u>(1,755)</u>	<u>(2,029)</u>
Net cash used in financing activities	<u>(3,007)</u>	<u>(3,022)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,364)	1,078
Cash and cash equivalents, beginning of year	<u>17,661</u>	<u>16,583</u>
Cash and cash equivalents, end of year	<u>\$ 16,297</u>	<u>\$ 17,661</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 2,994</u>	<u>\$ 3,110</u>

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

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022
(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 After-School 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, the College and Career Access 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 provide care coordination 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, 2023 and 2022
(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. 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 \$31,332 and \$20,531 in reserves for 2023 and 2022, respectively, as a real-estate reserve fund holding the proceeds from sales of various real estate from current and 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, 2023 and 2022
(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 \$2,477 and \$2,683 of special event revenue as of June 30, 2023 and 2022, 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, 2023 and 2022, the Agency determined that an allowance of \$140 and \$938 for each respective year for accounts and grants receivable was necessary. The difference between the contribution amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible contributions receivable. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical collection experience.

Government Support

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

Investments

Investments are stated at fair value. Investment gains and losses are included in changes in net assets without donor restrictions for the gains and losses that are unrestricted, and in changes in net assets with donor restrictions for the gains and losses that are restricted for the support of certain of Children's Aid programs, as specified by donors. Non-exchange traded alternative investments in limited partnerships and

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

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, 2023, Children's Aid was awarded conditional grants which have not been recorded on the accompanying 2023 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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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, 2023 and 2022.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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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, 2023 and 2022.

	2023	2022
Cash and cash equivalents	\$ 16,297	\$ 17,661
Accounts and grants receivables, net	38,368	36,609
Contributions receivable, net, unrestricted as to use upon collections	4,707	5,064
Investments	328,200	307,723
	<u>387,572</u>	<u>367,057</u>
Total financial assets available within one year		
Less:		
Contractual, legal or donor-imposed restrictions		
Restricted by donors with time or purpose	12,163	10,381
Restricted by donors in perpetuity	6,876	6,876
	<u>19,039</u>	<u>17,257</u>
Total amounts unavailable for general expenditures within one year		
Total amounts available for general expenditures within one year	<u>\$ 368,533</u>	<u>\$ 349,800</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.

NOTE 4 - ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable, net, consist of the following at June 30, 2023 and 2022:

	2023	2022
Due from the City of New York	\$ 31,003	\$ 29,131
Due from the State of New York	4,167	3,703
Due from Federal government	1,551	2,556
Due from other sources	1,787	2,157
	<u>38,508</u>	<u>37,547</u>
Less: Allowances for uncollectible amounts	<u>(140)</u>	<u>(938)</u>
Total	<u>\$ 38,368</u>	<u>\$ 36,609</u>

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
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NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 4,114	\$ 4,026
One to two years	<u>652</u>	<u>1,100</u>
	4,766	5,126
Less discount for present value	<u>(59)</u>	<u>(62)</u>
Total	<u>\$ 4,707</u>	<u>\$ 5,064</u>

Children's Aid quantified and recognized the fair value of the contributed space and services it receives for its programmatic purposes to total approximately \$2,414 and \$2,344 for the years ended June 30, 2023 and 2022 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 for both years ended June 30, 2023 and 2022. 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, 2023 and 2022
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NOTE 6 - INVESTMENTS

Investments consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 10,923	\$ 13,127
Equities and commingled funds	83,569	73,924
Mutual funds	35,733	24,001
Alternative investments:		
Private capital	44,682	37,739
Hedge funds	39,915	42,483
Equities and commingled funds	91,232	92,227
Mutual funds	4,966	5,739
Limited partnership interests	4,880	6,309
Emerging markets equity fund	12,300	12,174
Total	<u>\$ 328,200</u>	<u>\$ 307,723</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>2023</u>	<u>2022</u>
Realized gain	\$ 3,347	\$ 23,792
Unrealized gain (loss)	19,197	(58,133)
Interest and dividends	3,337	2,453
Investment fees	(1,698)	(2,123)
Total	<u>\$ 24,183</u>	<u>\$ (34,011)</u>

Amounts used in support of operations:

Appropriated from the endowment and investment returns used in operations	<u>\$ 14,197</u>	<u>\$ 13,288</u>
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Total investment gains (losses) in non-operating activities	<u>\$ 9,986</u>	<u>\$ (47,299)</u>
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The Children’s Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2023 and 2022:

	2023	2022
Land	\$ 5,605	\$ 5,656
Land improvements	890	974
Building and improvements	121,547	122,097
Furniture and equipment	7,815	9,984
Leasehold improvements	4,932	7,613
Construction in progress	4,774	3,372
Total costs	145,563	149,696
Less: Accumulated depreciation and amortization	(34,746)	(37,227)
Net book value	\$ 110,817	\$ 112,469

Depreciation and amortization amounted to \$4,371 and \$4,563 for the years ended June 30, 2023 and 2022, 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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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For the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the distribution for current spending was 5% 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, 2023 and 2022, the amount appropriated from the endowment and reserves investments for operations totaled \$14,197 and \$13,288, respectively.

Endowment funds are classified as follows:

	<u>2023</u>	<u>2022</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>4,135</u>
	<u>\$ 6,876</u>	<u>\$ 6,876</u>

Changes in endowment investments for year ended June 30, 2023 follow:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated Gains</u>	<u>Original Gift</u>	
Endowment net assets, July 1, 2022	\$ 1,825	\$ 6,876	\$ 8,702
Activity:			
Net gains (realized and unrealized)	554	-	554
Appropriated for operations	<u>(349)</u>	<u>-</u>	<u>(349)</u>
Total activity	<u>204</u>	<u>-</u>	<u>204</u>
Endowment net assets, June 30, 2023	<u>\$ 2,030</u>	<u>\$ 6,876</u>	<u>\$ 8,906</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

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, 2023 and 2022, endowment earnings with donor stipulations amounted to \$82 and \$(857), 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.

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, 2023 and 2022, 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 are included with investments on the consolidated statements of financial position as of June 30, 2023 and 2022, respectively.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
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NOTE 9 - NET ASSETS

Net assets with donor restrictions related to time and purpose consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Time restricted/other	\$ 24	\$ 211
Child welfare and family services	2,173	2,360
Early childhood	291	85
Health and wellness	670	103
National center for community schools	1,663	2,467
Youth	<u>7,342</u>	<u>5,155</u>
Subtotal	12,163	10,381
Donor permanently-restricted endowment	<u>6,876</u>	<u>6,876</u>
Total	<u>\$ 19,039</u>	<u>\$ 17,257</u>

Net assets totaling \$13,032 and \$10,992 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Passage of time	\$ 1,847	\$ 1,393
Youth programs	6,672	5,032
Child welfare and family service programs	1,203	933
Early childhood programs	1,284	1,046
Health and wellness programs	77	483
National center for community schools	<u>1,949</u>	<u>2,105</u>
Total	<u>\$ 13,032</u>	<u>\$ 10,992</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 post-retirement health care and life insurance benefits for retired employees subject to predefined limits and eligibility requirements.

The post-retirement plan is currently noncontributory; however, Children's Aid reserves the right to request contributions into the plan. An amendment to the plan has been made excluding from the post-retirement plan employees hired after July 1, 2010. The plan was further amended effective September 13, 2018 to freeze benefit accruals in the plan effective December 31, 2018.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
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The funded status of the Plans at June 30, 2023 is as follows:

	Pension Benefits	Post- Retirement Benefits	Total
Change in benefit obligation:			
Benefit obligation at July 1, 2022	\$ 94,200	\$ 9,219	\$ 103,419
Interest cost	4,249	419	4,668
Service cost	-	203	203
Actuarial gain	(6,921)	(134)	(7,055)
Benefits paid	(3,647)	(318)	(3,965)
	<u>87,881</u>	<u>9,389</u>	<u>97,270</u>
Benefit obligation at June 30, 2023			
Change in plan assets:			
Fair value of plan assets at July 1, 2022	75,020	-	75,020
Actual return on plan assets	7,806	-	7,806
Employer contributions	2,615	-	2,615
Benefits paid	(3,647)	-	(3,647)
	<u>81,794</u>	<u>-</u>	<u>81,794</u>
Fair value of plan assets at June 30, 2023			
Unfunded status	<u>\$ 6,087</u>	<u>\$ 9,389</u>	<u>\$ 15,476</u>

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
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>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Amounts recognized in net assets without donor restrictions for the Plans consist of the following as of June 30, 2023:

	Pension Benefits	Post- Retirement Benefits	Total
Net actuarial loss (gain)	\$ 5,256	\$ (6,935)	\$ (1,679)
Transition obligation	-	(316)	(316)
	<u>\$ 5,256</u>	<u>\$ (7,251)</u>	<u>\$ (1,995)</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>

The components of net periodic benefit cost for the Plans for the year ended June 30, 2023 are as follows:

	Pension Benefits	Post- Retirement Benefits	Total
Interest cost	\$ 4,249	\$ 419	\$ 4,668
Service cost	-	203	203
Expected return on plan assets	(4,624)	-	(4,624)
Amortization of net loss	895	(682)	213
Amortization of prior service cost	-	(82)	(82)
Amortization of net transition asset	(174)	-	(174)
	<u>\$ 346</u>	<u>\$ (142)</u>	<u>\$ 204</u>

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(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>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the year ended June 30, 2023 are as follows:

	Pension Benefits	Post- Retirement Benefits	Total
Net gain	\$ (10,998)	\$ 548	\$ (10,450)
Amortization of prior service cost	174	82	256
Total recognized in change in net assets without donor restrictions	<u>\$ (10,824)</u>	<u>\$ 630</u>	<u>\$ (10,194)</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)
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>

For the years ended June 30, 2023 and 2022, Children's Aid made total contributions of \$2,615 and \$3,288, respectively, into the defined-benefit pension plan and expects to meet the minimum required contributions for the plan years 2023 and 2022.

The Children's Aid Society

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The weighted-average assumptions used to determine the benefit obligation for the defined benefit plan as of and for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	5.22%	4.63%
Expected return on plan assets	6.24%	6.24%

The weighted-average assumptions used to determine the benefit obligation for the post-retirement plan as of and for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	5.22%	4.65%
Salary increase	3.00%	3.00%

The assumed health care cost trend rate at June 30, 2023 is 4.14%. Increasing the assumed medical care cost trend rate by 1% would increase the accumulated post-retirement benefit obligation by \$101 as of June 30, 2023, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2023 by \$1,264.

Decreasing the assumed health care cost trend rate by 1% would increase the accumulated post-retirement benefit obligation by \$80 as of June 30, 2023, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2023 by \$1,027.

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

	<u>Pension Benefits</u>	<u>Post- Retirement Benefits</u>
2024	\$ 4,766	\$ 454
2025	4,520	461
2026	4,591	467
2027	4,768	480
2028	4,917	495
Thereafter	26,200	2,686

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June 30, 2023 and 2022
(Dollars in thousands)

The defined benefit plan assets reported at fair value at June 30, 2023 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	\$ 5,268	\$ -	\$ 5,268
Global equities	27,397	-	27,397
Emerging markets equities	-	12,648	12,648
Fixed income	18,470	-	18,470
Real estate/private capital	3,483	14,528	18,011
Total investments, at fair value	<u>\$ 54,618</u>	<u>\$ 27,176</u>	<u>\$ 81,794</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, 2023.

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Real estate/private capital	\$ 14,528	5	\$ -	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	45 - 90 days
Emerging markets equities	12,648	5	-	Monthly to quarterly	1-Yr Soft; No Lock, Qrtly 8.33% liquidity, 2-Yr Hard	45 - 60 days
	<u>\$ 27,176</u>	<u>10</u>	<u>\$ -</u>			

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 Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

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>			

During the year ended June 30, 2023 and 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

Lease Obligations

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

During the year ended June 30, 2023, the Agency incurred total operating lease costs in the amount of \$4,717 and paid \$3,888 for amounts included in the measurement of operating lease liabilities. The total weighted-average remaining lease term was 8.09 years, and the weighted-average discount rate used to calculate the present value of future minimum lease payments was .89%. 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, 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 .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.

The Children’s Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

At June 30, 2023, future lease payments pursuant to non-cancellable office lease agreements in New York City and other operating space and equipment leases, all classified as operating leases, are as follows:

Years ending June 30,

2024	\$	4,084
2025		4,168
2026		3,926
2027		3,133
2028		2,892
Thereafter		9,258
	\$	27,461
Reconciliation		
Undiscounted lease payments as of June 30, 2023	\$	27,461
Less: Discounting of lease payments		(1,056)
	\$	26,405

Total rent expense for the years ended June 30, 2023 and 2022 totaled \$5,591 and \$5,302, respectively.

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 and 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 \$14,798, as of June 30, 2023.

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 \$1,090 and \$934 for the years ended June 30, 2023 and 2022,

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

respectively. For the years ended June 30, 2023 and 2022, the wrap-around services and other charges amounted to \$1,609 and \$1,414, 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 \$2,000 for each of the years ended June 30, 2023 and 2022, respectively.

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 for both years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, the Charter School owed \$778 and \$808, respectively, to Children's Aid.

NOTE 14 - FAIR VALUE MEASUREMENTS

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

The fair value hierarchy defines three levels as follows:

- Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs;
- Level 2 - Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data; 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, 2023 and 2022, 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, 2023 and 2022
(Dollars in thousands)

Financial assets reported at fair value at June 30, 2023 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	\$ 10,923	\$ -	\$ 10,923
Equity securities:			
Global equities	<u>83,569</u>	<u>-</u>	<u>83,569</u>
Fixed income:			
Mutual funds	<u>35,733</u>	<u>-</u>	<u>35,733</u>
Alternative investments:			
Private capital	-	44,682	44,682
Limited partnership interests	-	4,880	4,880
Global equities	-	38,248	38,248
International commingled funds	-	11,929	11,929
U.S. commingled funds	-	41,055	41,055
Mutual funds	-	4,966	4,966
Hedge funds	-	39,915	39,915
Emerging markets equity fund	<u>-</u>	<u>12,300</u>	<u>12,300</u>
Total alternate investments	<u>-</u>	<u>197,975</u>	<u>197,975</u>
Total investments, at fair value	<u>\$ 130,225</u>	<u>\$ 197,975</u>	<u>\$ 328,200</u>

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(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, 2023 and 2022
(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, 2023:

Type	NAV in Funds	# of Funds	\$ Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Notice Period
Private capital	\$ 44,682	3	\$ -	8 Years After First Close	N/A	N/A
Limited partnership	4,880	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	38,248	4	-	Monthly-semi annual		30 to 90 days
International commingled funds	11,929	2	-	Quarterly and semi annual Daily, Twice Monthly, Monthly, Quarterly	None	65 to 100 days
U.S. commingled funds	41,055	7	-	Monthly, quarterly	2-Yr hard lock	5 days to 60 business days
Mutual funds	4,966	2	-	Twice-Monthly, Monthly, Quarterly	None	60 days
Hedge funds	39,915	8	-	Semi Annual to Annual	1 Yr hard, 1 Yr, soft 5% early withdrawal fee Fund Term 8 years from initial close, 4 years investment period, 4 years harvest period	5 days, 6 business days to 90 days
Emerging markets equity fund	12,300	2	-	8 years after first close (April 2020)		N/A
Total	\$ 197,975	29	\$ -			

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(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	37,072	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	2-Yr hard lock	5 days to 60 business days
Mutual funds	5,739	2	-	Quarterly	None	60 days
Hedge funds	42,483	9	-	Twice-Monthly, Monthly, Quarterly	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	Semi Annual to Annual	None	N/A
Total	\$ 196,671	27	\$ 43,229	Quarterly		

During the year ended June 30, 2023 and 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.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

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.

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 \$235 and \$259 as of June 30, 2023 and 2022, 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, 2023 and 2022, amounted to \$161 and \$198, respectively, and have been calculated using discount rates of 3.6% and 3.6% at June 30, 2023 and 2022, 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, 2023 and 2022, 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 \$1,314 and \$1,355 as of June 30, 2023 and 2022, 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, 2023 and 2022 amounted to \$1,106 and \$1,088, 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, 2023 and 2022.

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

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

before 2012 have employer contributions that exceed the above amounts on a sliding scale basis. Employer contributions amounted to \$3,160 and \$2,703 for the years ended June 30, 2023 and 2022, respectively.

Children's Aid offers a 457(b) Supplemental Executive Retirement Plan for specified senior officers of Children's Aid. There were \$322 and \$232 of accrued benefits under the plan as of June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022, related benefit costs totaled \$45 and \$41, respectively.

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 \$3,419 at June 30, 2023.

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, 2023 and 2022, amortization amounted to \$116 and \$116, respectively. Deferred financing costs (net of amortization) of \$489 and \$512 as of June 30, 2023 and 2022, respectively, which are netted with bonds payable are being amortized over the life of the bonds. For the years ended June 30, 2023 and 2022, 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, 2023 and 2022, amortization amounted to \$142 and \$142, respectively. Deferred financing costs (net of amortization) of \$637 and \$661 as of June 30, 2023 and 2022, respectively, which are netted with bonds payable are being amortized over the life of the bonds. For the years ended June 30, 2023 and 2022, amortization expense amounted to \$24 each year.

The Children's Aid Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Future annual principal payments on all bonds are as follows for the years subsequent to June 30, 2023:

Years Ending June 30,

2024	\$	1,090
2025		1,150
2026		1,205
2027		1,270
2028		1,335
Thereafter		<u>61,145</u>
Subtotal		<u>67,195</u>
Add: Bond premium, net		6,256
Less: Bond issuance costs, net		<u>(1,126)</u>
Total	\$	<u>72,325</u>

NOTE 18 - BANK LINE OF CREDIT

Children's Aid renewed a two-year revolving line of credit facility on December 12, 2022 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.

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, 2023, 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, 2023
(Dollars in thousands)

	June 30, 2023					June 30, 2022						
	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	\$ 14,050	\$ 235	\$ -	\$ 2,012	\$ -	\$ 16,297	\$ 15,705	\$ 274	\$ -	\$ 1,682	\$ -	\$ 17,661
Accounts and grants receivable, net	59,280	8	13	130	(21,063)	38,368	56,368	178	13	120	(20,070)	36,609
Contributions receivable	4,707	-	-	-	-	4,707	5,064	-	-	-	-	5,064
Prepaid expenses and other assets	3,250	-	-	6	-	3,256	3,658	14	-	38	-	3,710
Facilities acquisition escrow	1,400	-	-	-	-	1,400	-	-	-	-	-	-
Investments	328,200	-	-	-	-	328,200	307,723	-	-	-	-	307,723
Split-interest agreement investments	1,549	-	-	-	-	1,549	1,614	-	-	-	-	1,614
Investment in LLC's	9,002	-	-	-	(9,002)	-	9,002	-	-	(9,002)	-	-
Property and equipment, net	58,689	9,127	1,737	41,264	-	110,817	58,590	9,522	1,737	42,620	-	112,469
Operating right-of-use assets	26,405	-	-	-	-	26,405	28,160	-	-	-	-	28,160
Total assets	<u>\$ 506,532</u>	<u>\$ 9,370</u>	<u>\$ 1,750</u>	<u>\$ 43,412</u>	<u>\$ (30,065)</u>	<u>\$ 530,999</u>	<u>\$ 485,884</u>	<u>\$ 9,988</u>	<u>\$ 1,750</u>	<u>\$ 44,460</u>	<u>\$ (29,072)</u>	<u>\$ 513,010</u>
LIABILITIES												
Accounts payable	\$ 2,693	\$ 1,417	\$ 101	\$ 19,600	\$ (21,050)	\$ 2,761	\$ 2,530	\$ 2,752	\$ 101	\$ 17,249	\$ (20,057)	\$ 2,575
Accrued expenses	10,931	-	-	790	-	11,721	12,970	-	-	810	-	13,780
Deferred revenue	4,435	-	-	-	-	4,435	7,300	-	-	-	-	7,300
Split-interest agreement obligations	1,267	-	-	-	-	1,267	1,286	-	-	-	-	1,286
Bonds payable, net	37,214	-	-	35,111	-	72,325	37,597	-	-	35,980	-	73,577
Accrued pension and post-retirement obligations, net	15,476	-	-	-	-	15,476	28,399	-	-	-	-	28,399
Other liabilities	3,334	-	-	-	(13)	3,321	186	-	-	-	(13)	173
Operating lease liabilities	26,405	-	-	-	-	26,405	28,160	-	-	-	-	28,160
Total liabilities	101,755	1,417	101	55,501	(21,063)	137,711	118,428	2,752	101	54,039	(20,070)	155,250
NET ASSETS (Note 2)												
Without donor restrictions	385,738	7,953	1,649	(12,089)	(9,002)	374,249	350,199	7,236	1,649	(9,579)	(9,002)	340,503
With donor restrictions	19,039	-	-	-	-	19,039	17,257	-	-	-	-	17,257
Total net assets	404,777	7,953	1,649	(12,089)	(9,002)	393,288	367,456	7,236	1,649	(9,579)	(9,002)	357,760
Total liabilities and net asset:	<u>\$ 506,532</u>	<u>\$ 9,370</u>	<u>\$ 1,750</u>	<u>\$ 43,412</u>	<u>\$ (30,065)</u>	<u>\$ 530,999</u>	<u>\$ 485,884</u>	<u>\$ 9,988</u>	<u>\$ 1,750</u>	<u>\$ 44,460</u>	<u>\$ (29,072)</u>	<u>\$ 513,010</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, 2023
(Dollars in thousands)

	Children's Aid Society						Consolidated Total			
	Without Donor Restrictions	With Donor Restrictions	Total	910 East 172nd Street, LLC	1218 Southern Blvd., LLC	1232 Southern Blvd., LLC	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support										
Government support	\$ 107,667	\$ -	\$ 107,667	\$ -	\$ -	\$ -	\$ -	\$ 107,667	\$ -	\$ 107,667
Program services fees	15,402	(20)	15,382	-	-	-	-	15,402	(20)	15,382
Contributions	6,432	11,158	17,590	-	-	-	-	6,432	11,158	17,590
Planned giving	2,071	4,538	6,609	-	-	-	-	2,071	4,538	6,609
Rental income	-	-	-	1,392	-	1,999	(701)	2,690	-	2,690
Investment return used for operations and special initiatives	14,197	-	14,197	-	-	-	-	14,197	-	14,197
Gain on sale of assets	14,364	-	14,364	-	-	-	-	14,364	-	14,364
Other revenue	3,615	(862)	2,753	-	-	137	-	3,752	(862)	2,890
In-kind contributions	2,414	-	2,414	-	-	-	-	2,414	-	2,414
Net assets released from restrictions for operations	13,032	(13,032)	-	-	-	-	-	13,032	(13,032)	-
Total operating revenue and support	179,194	1,782	180,976	1,392	-	2,136	(701)	182,021	1,782	183,803
Operating expenses										
Program services										
Early childhood	15,322	-	15,322	-	-	-	-	15,322	-	15,322
Youth	35,394	-	35,394	-	-	4,646	-	40,040	-	40,040
Health and wellness	21,913	-	21,913	337	-	-	(350)	21,900	-	21,900
Child welfare and family services	61,039	-	61,039	338	-	-	(351)	61,026	-	61,026
Collective impact and national center for community schools	2,530	-	2,530	-	-	-	-	2,530	-	2,530
Total program services	136,198	-	136,198	675	-	4,646	(701)	140,818	-	140,818
Supporting services										
Management and general	23,934	-	23,934	-	-	-	-	23,934	-	23,934
Fundraising	3,648	-	3,648	-	-	-	-	3,648	-	3,648
Total supporting services	27,582	-	27,582	-	-	-	-	27,582	-	27,582
Total operating expenses	163,780	-	163,780	675	-	4,646	(701)	168,400	-	168,400
Changes in net assets from operations	15,414	1,782	17,196	717	-	(2,510)	-	13,621	1,782	15,403
Non-operating activities										
Investment return net of amount used for operations	9,986	-	9,986	-	-	-	-	9,986	-	9,986
Change in value of split-interest agreements	(55)	-	(55)	-	-	-	-	(55)	-	(55)
Pension-related activity	10,194	-	10,194	-	-	-	-	10,194	-	10,194
Changes in net assets from non-operating activities	20,125	-	20,125	-	-	-	-	20,125	-	20,125
CHANGES IN TOTAL NET ASSETS	35,539	1,782	37,321	717	-	(2,510)	-	33,746	1,782	35,528
Net assets - beginning of year	350,199	17,257	367,456	7,236	1,649	(9,579)	(9,002)	340,503	17,257	357,760
Net assets - end of year	\$ 385,738	\$ 19,039	\$ 404,777	\$ 7,953	\$ 1,649	\$ (12,089)	\$ (9,002)	\$ 374,249	\$ 19,039	\$ 393,288

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)	-
Total operating revenue and support	<u>152,666</u>	<u>1,644</u>	<u>154,310</u>	<u>1,462</u>	<u>-</u>	<u>2,117</u>	<u>(701)</u>	<u>155,544</u>	<u>1,644</u>	<u>157,188</u>
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	<u>117,747</u>	<u>-</u>	<u>117,747</u>	<u>595</u>	<u>1</u>	<u>4,549</u>	<u>(702)</u>	<u>122,190</u>	<u>-</u>	<u>122,190</u>
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	<u>27,334</u>	<u>-</u>	<u>27,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,334</u>	<u>-</u>	<u>27,334</u>
Total operating expenses	<u>145,081</u>	<u>-</u>	<u>145,081</u>	<u>595</u>	<u>1</u>	<u>4,549</u>	<u>(702)</u>	<u>149,524</u>	<u>-</u>	<u>149,524</u>
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										
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	<u>(31,502)</u>	<u>-</u>	<u>(31,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,502)</u>	<u>-</u>	<u>(31,502)</u>
CHANGES IN TOTAL NET ASSETS	<u>(23,917)</u>	<u>1,644</u>	<u>(22,273)</u>	<u>867</u>	<u>(1)</u>	<u>(2,432)</u>	<u>1</u>	<u>(25,482)</u>	<u>1,644</u>	<u>(23,838)</u>
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.