

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended June 30, 2020

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Independent Auditor's Report

**To the Board of Directors
Children's Home Society of Washington
Children's Home Society Trust Foundation
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Children's Home Society/Children's Home Society of Washington and Children's Home Society & Trust Foundation (collectively, the Society), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of operating revenue and expenses without donor restrictions, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2020, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The CHSW, CHSTF and eliminating entries columns on pages 3 to 5 and the accompanying supplementary information shown on pages 24 to 26 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
December 18, 2020

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Financial Position

June 30, 2020

(With Comparative Totals for 2019)

	CHSW	CHSTF	Consolidated 2020 Total	Consolidated 2019 Total
Current Assets:				
Cash and equivalents	\$ 5,991,785	\$ 209,838	\$ 6,201,623	\$ 2,721,089
Current portions of accounts and pledges receivable, net (Note 2)	2,122,548	421,135	2,543,683	2,236,949
Intercompany receivable (payable)	323,144	(323,144)		
Prepaid expenses and other	486,941		486,941	527,937
Current portion of facility contribution receivable (Note 11)	66,000		66,000	72,000
Total Current Assets	8,990,418	307,829	9,298,247	5,557,975
Accounts and pledges receivable, net of current portion (Note 2)		298,771	298,771	291,521
Facility contribution receivable net of current portion (Note 11)				66,000
Property and equipment, net (Note 3)	3,613,212		3,613,212	3,645,197
Investments (Note 4)		16,617,013	16,617,013	16,585,094
Beneficial interest in perpetual trusts (Note 6)	4,801,251		4,801,251	4,937,500
Total Assets	\$ 17,404,881	\$ 17,223,613	\$ 34,628,494	\$ 31,083,287
Current Liabilities:				
Accounts payable	\$ 610,365	\$ -	\$ 610,365	\$ 1,290,573
Accrued liabilities	1,323,754		1,323,754	1,059,925
Deferred revenue	40,684		40,684	67,146
Current portion of forgivable debt (Note 7)	1,545,773		1,545,773	249,651
Current portion of capital lease obligations (Note 7)	34,160		34,160	34,160
Total Current Liabilities	3,554,736		3,554,736	2,701,455
Forgivable debt, net of current portion (Note 7)	1,951,627		1,951,627	
Capital lease obligations, net of current portion (Note 7)	39,853		39,853	74,014
Total Liabilities	5,546,216		5,546,216	2,775,469
Net Assets:				
Without donor restrictions (Note 12)-				
Undesignated	4,999,014		4,999,014	5,119,407
Designated by the Board for general operating quasi-endowment		12,399,437	12,399,437	12,325,550
Designated by the Board for facilities and maintenance		2,041,220	2,041,220	2,018,551
Designated by the Board for operations		344,750	344,750	
Total without donor restrictions	4,999,014	14,785,407	19,784,421	19,463,508
With donor restrictions (Note 13)	6,859,651	2,438,206	9,297,857	8,844,310
Total Net Assets	11,858,665	17,223,613	29,082,278	28,307,818
Total Liabilities and Net Assets	\$ 17,404,881	\$ 17,223,613	\$ 34,628,494	\$ 31,083,287

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Consolidated Statement of Operating Revenue and Expenses Without Donor Restrictions
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	CHSW	CHSTF	Eliminating Entries	Consolidated 2020 Total	Consolidated 2019 Total
Private Support and Revenue:					
Direct support - contributions	\$ -	\$ 2,381,454	\$ -	\$ 2,381,454	\$ 351,927
Net assets released from restrictions	991,518			991,518	2,609,898
In-kind support	333,631			333,631	288,884
In-kind contribution for services from CHSW (Note 10)		790,667	(790,667)		
United Way		916,566		916,566	1,044,707
Program service fees	318,754			318,754	549,229
Investment return (Note 4)	(14,756)	227,982		213,226	197,222
Rental income and miscellaneous	44,407			44,407	50,473
Total Private Support and Revenue	1,673,554	4,316,669	(790,667)	5,199,556	5,092,340
Revenue From Governmental Agencies:					
Federal revenue	9,888,380			9,888,380	8,607,467
State revenue	5,149,326			5,149,326	5,009,111
County and local revenue	8,318,167			8,318,167	8,037,720
Total Revenue From Governmental Agencies	23,355,873			23,355,873	21,654,298
Total Operating Support and Revenue	25,029,427	4,316,669	(790,667)	28,555,429	26,746,638
Transfers Between Entities:					
Contributions transferred	3,206,427	(3,206,427)			
Total Transfers	3,206,427	(3,206,427)			
Total Support, Revenue and Transfers	28,235,854	1,110,242	(790,667)	28,555,429	26,746,638
Program Services Expenses:					
Early childhood care education	11,377,489			11,377,489	10,222,426
Child and family counseling	5,768,174			5,768,174	5,906,923
Adoption and secure families	1,952,497			1,952,497	2,759,801
Family support and parent education	2,460,584			2,460,584	2,129,229
Policy and innovation	1,154,620			1,154,620	1,160,159
Total Program Services	22,713,364			22,713,364	22,178,538
Supporting Services Expenses:					
General and administrative	4,167,383			4,167,383	3,630,096
Fund development	1,359,554	790,667	(790,667)	1,359,554	877,713
Total Supporting Services	5,526,937	790,667	(790,667)	5,526,937	4,507,809
Total Operating Expenses	28,240,301	790,667	(790,667)	28,240,301	26,686,347
Change in Net Assets Without Donor Restrictions - Operating	\$ (4,447)	\$ 319,575	\$ -	\$ 315,128	\$ 60,291

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>CHSW</u>	<u>CHSTF</u>	<u>Consolidated 2020 Total</u>	<u>Consolidated 2019 Total</u>
Net Assets Without Donor Restrictions:				
Operating activity-				
Change in net assets without donor restrictions - operating	\$ (4,447)	\$ 319,575	\$ 315,128	\$ 60,291
Quasi-endowment investment return (Note 4)		(16,884)	(16,884)	553,841
Board designated investment return		22,669	22,669	89,984
Change in Net Assets Without Donor Restrictions	(4,447)	325,360	320,913	704,116
Net Assets With Donor Restrictions:				
Direct support - contributions	504,342	1,050,802	1,555,144	3,126,332
In-kind facility use contribution				138,000
Endowment investment return (Note 4)		26,170	26,170	96,818
Net assets released from restrictions (Note 13)	(991,518)		(991,518)	(2,609,898)
Contributions transferred	930,050	(930,050)		
Net change in value of beneficial interest in perpetual trusts (Note 6)	(136,249)		(136,249)	57,302
Change in Net Assets With Donor Restrictions	306,625	146,922	453,547	808,554
Total Change in Net Assets	302,178	472,282	774,460	1,512,670
Net assets, beginning of year	11,556,487	16,751,331	28,307,818	26,795,148
Net Assets, End of Year	\$ 11,858,665	\$ 17,223,613	\$ 29,082,278	\$ 28,307,818

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	Program Services					Total Programs	Supporting Services		2020 Total	2019 Total
	Early Childhood Care Education	Child and Family Counseling	Adoption and Secure Families	Family Support and Parent Education	Policy and Innovation		General and Administrative	Fund Development		
CHSW:										
Salaries	\$ 6,188,255	\$ 3,768,262	\$ 963,987	\$ 1,311,162	\$ 482,449	\$ 12,714,115	\$ 2,192,316	\$ 718,088	\$ 15,624,519	\$ 14,715,676
Employee benefits and taxes	1,606,004	974,475	227,219	333,561	112,375	3,253,634	527,546	171,578	3,952,758	3,479,094
	7,794,259	4,742,737	1,191,206	1,644,723	594,824	15,967,749	2,719,862	889,666	19,577,277	18,194,770
Professional fees	1,509,231	297,760	35,164	129,128	424,146	2,395,429	620,909	60,462	3,076,800	2,938,993
Other expenses	1,111,101	407,031	147,132	220,526	61,598	1,947,388	594,257	164,349	2,705,994	2,573,728
Occupancy	623,002	220,645	28,553	146,981	51,868	1,071,049	150,023	51,984	1,273,056	1,433,907
Specific assistance to individuals	194,626	9,129	528,486	99,276	13,126	844,643	1,504	1,672	847,819	882,549
In-kind donations	19,791	1,007	525	200,532		221,855		183,776	405,631	288,884
Depreciation	125,479	89,865	21,431	19,418	9,058	265,251	80,828	7,645	353,724	373,516
Total CHSW Expenses	11,377,489	5,768,174	1,952,497	2,460,584	1,154,620	22,713,364	4,167,383	1,359,554	28,240,301	26,686,347
CHSTF:										
In-kind support services (Note 10)								790,667	790,667	601,724
Total CHSTF Expenses								790,667	790,667	601,724
Eliminations								(790,667)	(790,667)	(601,724)
Total Expenses	\$ 11,377,489	\$ 5,768,174	\$ 1,952,497	\$ 2,460,584	\$ 1,154,620	\$ 22,713,364	\$ 4,167,383	\$ 1,359,554	\$ 28,240,301	\$ 26,686,347

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 774,460	\$ 1,512,670
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	353,724	373,516
Forgiven loan	(249,651)	
Net gain on long-term investments	372,704	(256,517)
Gain on beneficial interest in perpetual trusts	136,249	(57,302)
Contributions to endowment classified as financing activities		(2,500)
Decrease (increase) in current assets:		
Accounts receivable, net	(313,984)	479,830
Facility contribution receivable	72,000	(138,000)
Prepaid expenses and other	40,996	(351,506)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(416,379)	870,280
Deferred revenue	(26,462)	(12,021)
Net Cash Provided by Operating Activities	743,657	2,418,450
Cash Flows From Investing Activities:		
Proceeds from sales of investments		8,332
Purchases of investments	(404,623)	(488,126)
Purchases of property and equipment	(321,739)	(451,077)
Net Cash Used in Investing Activities	(726,362)	(930,871)
Cash Flows From Financing Activities:		
Payments on capital lease obligations	(34,161)	(59,406)
Proceeds from forgivable loan	3,497,400	
Proceeds from contributions to endowment		2,500
Net Cash Provided by (Used in) Financing Activities	3,463,239	(56,906)
Net Change in Cash and Equivalents	3,480,534	1,430,673
Cash and equivalents balance, beginning of year	2,721,089	1,290,416
Cash and Equivalents Balance, End of Year	\$ 6,201,623	\$ 2,721,089
Supplementary Disclosure:		
Cash paid for interest	\$ 2,148	\$ 2,741

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Organization and Significant Accounting Policies

Organization - Children's Home Society of Washington (CHSW) is organized for the purpose of helping children to thrive and become viable members of society through programs designed to provide support by strengthening families. CHSW's programs are provided through regional locations in various communities throughout the state of Washington.

Children's Home Society of Washington Asset Management (CHSWAM) was incorporated on October 16, 2002, as a nonprofit affiliate organization of CHSW. On June 30, 2014, CHSWAM and Children's Trust Foundation (CTF) completed a merger of their operations. As a result of the merger, the combined organization was renamed Children's Home Society & Trust Foundation (CHSTF). CHSTF is organized to manage investments and raise funds that benefit CHSW.

Principles of Consolidation - These financial statements consolidate the statements of CHSW and CHSTF (collectively, the Society). Inter-organization and affiliated organization accounts and transactions have been eliminated in the consolidation.

Programs - Major programs and services offered to the community include the following:

Early Childhood Care Education - Supporting healthy growth and development and offering families the information and resources they need to give children a strong foundation during the first five years of life.

Child and Family Counseling - Helping children and parents communicate effectively, manage stress, identify and address problems, and find solutions that strengthen the entire family.

Adoption and Secure Families - Helping children find permanent homes through various adoption services as well as offering search and reunion support for those adopted through the agency.

Family Support and Parent Education - Working with families early in their children's development and assisting them in securing needed services and developing support systems that enable them to prevent unmanageable crises or family dysfunction later on.

Policy and Innovation - Working with policy makers, researchers and philanthropy to improve the well-being of children and families in Washington State and beyond.

Basis of Presentation - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restriction also include Board-designated net assets (Note 12).

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Society has adopted a policy to classify donor-restricted contributions as net assets without donor restriction to the extent that donor restrictions were met in the year the contribution was received.

Cash and Cash Equivalents - Cash in excess of daily requirements is generally invested in interest-bearing instruments. Interest-bearing deposits with initial maturities of three months or less are considered cash equivalents. However, cash and equivalents associated with the Society's investment portfolio are considered investments since the intent is to reinvest them in longer-term instruments when appropriate.

Accounts and Pledges Receivable - Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

At June 30, 2020, the Society had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of \$8,106,855. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Investments - Investments in money market funds are stated at cost which approximates fair value. Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last day of the fiscal year. Unrealized and realized gains and losses on these investments are reported in the consolidated statement of changes in net assets. It is the Society's policy to invest in short and intermediate term debt and equity securities, emphasizing preservation and safety of capital and diversification of risk.

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation, if donated. Property and equipment are depreciated using straight-line methods over estimated useful lives ranging from three to forty years. The Society capitalizes all items and leasehold improvements over \$5,000.

In-Kind Contributions - Donated materials, property and equipment are recorded at fair value when received. A substantial number of corporations and volunteers donate significant amounts of time and services in the Society's operations. Such contributed services and the related expenses are only recorded in the accounts to the extent that specific professional expertise is provided or a capitalized asset is constructed, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These volunteers, whose time has not been recognized in the consolidated financial statements, contributed 47,218 and 46,657 hours of their time valued at \$1,330,594 and \$1,247,150 (unaudited) during the years ended June 30, 2020 and 2019, respectively.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

For the years ended June 30, 2020 and 2019, in-kind support recorded consisted of donated professional and nonprofessional fees of \$9,107 and \$45,249, and in-kind materials/assets of \$324,524 and \$381,635, respectively.

Use of Estimates - The preparation of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes - Both CHSW and CHSTF are nonprofit corporations as defined in Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, the Internal Revenue Service (IRS) has determined they are exempt from federal income taxes under the provisions of Section 501(a) of the Code.

Allocation of Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are directly charged to the functions they benefit. Occupancy and other costs are allocated to each function based on employee time utilized by the function.

Operating vs. Nonoperating - The consolidated statement of changes in net assets includes certain nonoperating activities. Investment return from endowment accounts, and board designated investments, and perpetual trusts is considered nonoperating activity, as well as gains or losses on sale of property and equipment. All other activity is considered operating activity.

Vulnerability From Certain Concentrations - The Society receives fees and grants from federal, state, county and municipal governments. The receipt of governmental funding is generally subject to audit by various governmental agencies, the outcome of which is not known until the audit is completed. Revenue from governmental agencies represents the following percentages of total consolidated operating support and revenue without donor restrictions for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Federal	34.6%	32.1%
State	18.0%	18.7%
County and local	<u>29.1%</u>	<u>30.0%</u>
Total Government Support	<u>81.7%</u>	<u>80.8%</u>

CHSW's history has been a mix of public and private funding. Due to CHSW's national reputation for high-quality early learning, CHSW continues to be awarded federal Early Head Start/Head Start dollars. CHSW's foundation was created in 2014 to increase private dollar revenue in order to mitigate the vulnerability of overweighting the budget with public dollars and to maintain the Society's historical diversified funding base.

At times, cash deposits and investments exceeded federally insured amounts.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 1 - Continued

Contingencies - At times, the Society is subject to litigation arising in the normal course of business. Management does not believe any ongoing matters would have a material adverse effect to the Society's future financial position or results from operations.

Comparative Totals - The financial statements include certain summarized comparative information for the year ended June 30, 2019 in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events - The Society has evaluated subsequent events through December 18, 2020, the date on which the financial statements were available to be issued. No additional disclosures were required.

Note 2 - Accounts and Pledges Receivable

Accounts and pledges receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Government agencies	\$ 2,204,297	\$ 1,906,612
Pledges	741,385	648,840
Facility contribution and other	<u>66,000</u>	<u>138,000</u>
	3,011,682	2,693,452
Less discount to present value (0.29%)	(8,479)	(8,479)
Less provision for uncollectible accounts	<u>(94,749)</u>	<u>(18,503)</u>
	<u><u>\$ 2,908,454</u></u>	<u><u>\$ 2,666,470</u></u>

Pledges receivable are summarized as follows at June 30, 2020:

Receivable in less than one year	\$ 434,135
Receivable in one to five years	307,250
Less discount to present value (0.29%)	<u>(8,479)</u>
	<u><u>\$ 732,906</u></u>

Pledges that are receivable in more than one year are discounted at an annual rate of 0.26% for each additional year through the term of the pledge.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 6,164,315	\$ 6,146,161
Furniture, fixtures, vehicles and equipment	4,132,100	3,835,310
Land	<u>1,528,830</u>	<u>1,528,830</u>
	11,825,245	11,510,301
Less accumulated depreciation	<u>(8,212,033)</u>	<u>(7,865,104)</u>
	<u>\$ 3,613,212</u>	<u>\$ 3,645,197</u>

Note 4 - Investments

Investments, as presented in the consolidated statement of financial position, consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Assets designated by the Board for long-term investments	\$ 14,785,407	\$ 14,344,101
Other long-term investments	<u>1,831,606</u>	<u>2,240,993</u>
	<u>\$ 16,617,013</u>	<u>\$ 16,585,094</u>

Investments were invested as follows at June 30:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 12,998,466	\$ 16,143,757
Cash and money market accounts	<u>3,618,547</u>	<u>441,337</u>
	<u>\$ 16,617,013</u>	<u>\$ 16,585,094</u>

Investment return on investments and cash and cash equivalents was comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 632,813	\$ 701,346
Net realized and unrealized (losses) gains	(372,704)	256,517
Investment management fees	<u>(15,005)</u>	<u>(19,998)</u>
	<u>\$ 245,104</u>	<u>\$ 937,865</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 5 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U. S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Cash and Money Market Accounts - Valued at cost, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Society at year end.

Beneficial Interests in Perpetual Trusts - Valued based on the quoted market prices of the underlying investments of the trusts and the Society's proportional beneficial interests in the trusts.

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2020 and 2019, were as follows:

	Fair Value Measurements as of June 30,2020			
	Level 1	Level 2	Level 3	Total
Cash and money market accounts	\$ 3,618,547	\$ -	\$ -	\$ 3,618,547
Mutual funds-				
Fixed income	1,793,225			1,793,225
Equity	11,205,241			11,205,241
Total mutual funds	12,998,466			12,998,466
Total investments	16,617,013			16,617,013
Beneficial interest in perpetual trusts			4,801,251	4,801,251
	<u>\$ 16,617,013</u>	<u>\$ -</u>	<u>\$ 4,801,251</u>	<u>\$ 21,418,264</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 5 - Continued

	Fair Value Measurements as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and money market accounts	\$ 441,337	\$ -	\$ -	\$ 441,337
Mutual funds-				
Fixed income	4,557,238			4,557,238
Equity	11,586,519			11,586,519
Total mutual funds	<u>16,143,757</u>			<u>16,143,757</u>
Total investments	16,585,094			16,585,094
Beneficial interest in perpetual trusts			4,937,500	4,937,500
	<u>\$ 16,585,094</u>	<u>\$ -</u>	<u>\$ 4,937,500</u>	<u>\$ 21,522,594</u>

A reconciliation of the beginning and ending balances of the beneficial interest in perpetual trusts measured at fair value using significant unobservable inputs (Level 3) follows for the years ended June 30:

	2020	2019
Beginning balance	\$ 4,937,500	\$ 4,880,198
Earnings distributions	(227,982)	(216,998)
Other changes in value	91,733	274,300
Ending Balance	<u>\$ 4,801,251</u>	<u>\$ 4,937,500</u>

Note 6 - Beneficial Interest in Perpetual Trusts

The Society is named as a beneficiary in numerous trusts held for the benefit of the Society and other local nonprofit agencies. The trusts, which are held in perpetuity, are administered by financial institutions, the majority of which provide for earnings distributions on a regular basis to the Society. One perpetual trust in which the Society is the sole beneficiary has earnings distributions on a discretionary basis which are determined by the Trustee in response to specific requests for funds from the Society. These trusts are recognized in the consolidated financial statements of the Society at the fair value of the Society's share as of the end of the reporting period. The Society received \$227,982 and \$216,998 in earnings distributions from the trusts during the years ended June 30, 2020 and 2019, respectively. The earnings are available for general operating purposes. The Society's interest in net (losses) or gains, in the trusts of (\$136,249) and \$57,302 for the years ended June 30, 2020 and 2019, respectively, are recognized in the consolidated statement of changes in net assets as donor-restricted endowment activities.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 7 - Long-Term Obligations

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 28, 2020, the Society obtained a loan under the PPP with a principal balance of \$3,497,400 and an annual interest rate of 1%.

Long-term obligations consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Payment Protection Program forgivable loan in the original amount of \$3,497,400. Forgiveness may be applied for up to 10 months after the covered period, otherwise payments are due between then and the maturity date of April 28, 2022.	\$ 3,497,400	\$ -
Capital lease payable for network upgrade equipment, monthly payments of \$3,033 including interest, due August 2022.	74,013	108,174
Note payable to City of Seattle in the original amount of \$249,651. Secured by deed of trust on real property. Noninterest bearing and subject to use restriction for Head Start program. The note has the option to be forgiven at maturity date, October 31, 2019, provided the Society remains in compliance with the terms of the note. The note was forgiven during 2020.		<u>249,651</u>
	<u>3,571,413</u>	<u>357,825</u>
Less current portion	<u>(1,579,933)</u>	<u>(283,811)</u>
	<u>\$ 1,991,480</u>	<u>\$ 74,014</u>

Principal maturities on long-term obligations are as follows:

For the Year Ending June 30,

2021	\$ 1,579,933
2022	<u>1,991,480</u>
	<u>\$ 3,571,413</u>

Assets under capitalized leases are included in property and equipment with a total cost of \$413,674 for both the years ended June 30, 2020 and 2019 and related accumulated amortization of \$339,575 and \$303,546 at June 30, 2020 and 2019, respectively. Amortization expense associated with assets under capital leases is included within depreciation expense.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 8 - Benefit Plan

The Society sponsors a defined contribution profit-sharing pension plan covering all employees meeting minimum age and service requirements. Participants employed on or before July 31, 2009 are fully vested in the plan immediately upon participation. Participants hired August 1, 2009 and thereafter have the following vesting schedule: 1 year - 25%, 2 years - 50%, 3 years - 100%. Effective April 1, 2013, the plan was amended to allow for employee contributions to the plan through a 401(k) plan. The investment of such contributions is directed by each employee based on the investment options available under the plan. In January 2014, the Society declared a match on the first 3% of eligible contributions. Total employer contributions for the years ended June 30, 2020 and 2019, were \$364,447 and \$333,110, respectively.

Note 9 - Commitments

The Society has entered into various operating leases for facilities and equipment expiring through August 2022. Total rent expense under operating leases was \$869,349 and \$894,159 for the years ended June 30, 2020 and 2019, respectively.

Future minimum payments required under leases with initial or remaining noncancelable lease terms in excess of one year consist of the following:

For the Year Ending June 30,

2021	\$	639,723
2022		553,259
2023		110,611
2024		111,521
2025		71,529
		<u>71,529</u>
	\$	<u>1,486,643</u>

Note 10 - Related Party Agreements

On June 27, 2014, CHSW and CHSTF entered into a memorandum of understanding regarding the functions each entity would perform on a go forward basis starting July 1, 2014. During the year ended June 30, 2015, the two entities also negotiated a management services agreement which was approved by the respective Boards on October 3, 2014. CHSTF receives donated facilities and services from CHSW, which include space usage, furnishings and equipment, utilities, employee services and other items.

The estimated fair value of such items has been reflected in the consolidated financial statements as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Salaries, payroll taxes and benefits	\$ 602,394	\$ 445,132
Supplies, services and other	48,673	101,056
Facilities and utilities	<u>139,600</u>	<u>55,536</u>
	<u>\$ 790,667</u>	<u>\$ 601,724</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 11 - Contingencies and Contributed Facilities

Contingencies - The Society acquired block grant funds totaling \$249,651 from the City of Seattle (Note 7) with the stipulation that the facility be used for a Head Start Program. This stipulation was removed by the City of Seattle as of October 31, 2019.

Expenses incurred under certain grant programs are subject to audit by granting agencies. If, as a result of such audits, certain expenses incurred are determined to be nonreimbursable, the Society may be liable for repayment of disallowed expenses previously claimed or received.

Contributed Facilities - During the year ended June 30, 2019 the Society began leasing space from a third party which requires no rental payments through the term of the lease. The lease began May 28, 2019 for a term of two years. The facility contribution receivable recorded at June 30, 2020 and 2019 totaled \$66,000 and \$138,000, respectively.

Note 12 - Net Assets Without Donor Restriction

The board has designated net assets for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions or designations	\$ 4,999,014	\$ 5,119,407
Board-designated endowments-		
General operations quasi-endowment (Note 14)	12,399,437	12,325,550
Facilities and maintenance fund	2,041,220	2,018,551
Operating reserve	<u>344,750</u>	<u> </u>
Total Net Assets Without Donor Restrictions	<u>\$ 19,784,421</u>	<u>\$ 19,463,508</u>

The Board of Directors of CHSW has several standing board policies that affect the presentation of board designations on net assets. In 2014 the Board designated \$10,200,000 from the sale of property to establish a quasi-endowment fund. Bequests without donor restrictions are also designated for long-term investment in the quasi-endowment. The quasi-endowment fund balance totaled \$12,308,666 and \$12,325,550 at June 30, 2020 and 2019, respectively. Additionally, the Board of Directors has established a facilities and maintenance fund with the objective of setting funds aside to be drawn upon in the event of facility purchase and maintenance as well as an operating fund to support operations for the following year.

Any use of board-designated funds must be approved by the Board of Directors of CHSW, except for appropriations of the quasi-endowment which are subject to the endowment policy (Note 14).

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 13 - Net Assets With Donor Restrictions

Net assets with donor restriction are available for the following purposes at June 30:

	2020			2019 Total
	CHSW	CHSTF	Total	
Subject to the Passage of Time or Expenditure for Specified Purpose:				
Unappropriated endowment earnings (Note 14)	\$ -	\$ 506,033	\$ 506,033	\$ 547,619
In-kind lease contribution receivable (Note 12)	66,000		66,000	138,000
Other programs	1,976,900	277,352	2,254,252	1,550,870
Total Subject to the Passage of Time or Expenditure for Specified Purpose	2,042,900	783,385	2,826,285	2,236,489
Endowment Corpus (Note 14):				
Original gifts and required retained earnings (corpus)-				
Endowment to prevent child abuse and neglect		819,942	819,942	819,942
Hugh Cannon staff scholarship fund	15,500	445,848	461,348	461,348
General endowment		236,034	236,034	236,034
Other endowments for various operating purposes		152,997	152,997	152,997
	15,500	1,654,821	1,670,321	1,670,321
Beneficial interest in perpetual trusts (Note 6)	4,801,251		4,801,251	4,937,500
Total Endowment Funds and Beneficial Interests	4,816,751	1,654,821	6,471,572	6,607,821
Total Net Assets With Donor Restrictions	\$ 6,859,651	\$ 2,438,206	\$ 9,297,857	\$ 8,844,310

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended June 30:

	2020	2019
Releases from program restrictions-		
Endowment earnings appropriated	\$ 67,755	\$ 28,649
Program releases	851,763	2,581,249
Releases from time restrictions-		
In-kind lease contribution	72,000	
Total Net Assets Released From Restriction	\$ 991,518	\$ 2,609,898

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 14 - Endowments

The Society's endowment consists of several funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Society has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Society classifies as net assets with donor restriction to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Society and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Society; and
- The investment policies of the Society.

As of June 30, 2020, endowment net assets consisted of the following:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions Accumulated Earnings	Endowment Corpus	2020 Total
Donor restricted endowment funds-				
Endowment to prevent child abuse and neglect	\$ -	\$ 245,321	\$ 819,942	\$ 1,065,263
Hugh Cannon staff scholarship fund		45,885	461,348	507,233
General endowment		178,354	236,034	414,388
Other endowments for various operating purposes		36,473	152,997	189,470
Total donor restricted endowment funds		506,033	1,670,321	2,176,354
Board designated quasi-endowment	12,399,437			12,399,437
Endowment Net Assets	\$ 12,399,437	\$ 506,033	\$ 1,670,321	\$ 14,575,791

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 14 - Continued

Changes to endowment net assets for the year ended June 30, 2020, are as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions		
		Accumulated Earnings	Endowment Corpus	Total
Endowment net assets, June 30, 2019	\$ 12,325,550	\$ 547,619	\$ 1,670,321	\$ 14,543,490
Endowment investment return	(16,884)	26,170		9,286
Appropriations for expenditure		(67,756)		(67,756)
Transfers	90,771			90,771
Endowment Net Assets, June 30, 2020	<u>\$ 12,399,437</u>	<u>\$ 506,033</u>	<u>\$ 1,670,321</u>	<u>\$ 14,575,791</u>

As of June 30, 2019, endowment net assets consisted of the following:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions		
		Accumulated Earnings	Endowment Corpus	2019 Total
Donor restricted endowment funds-				
Endowment to prevent child abuse and neglect	\$ -	\$ 216,861	\$ 819,942	\$ 1,036,803
Hugh Cannon staff scholarship fund		168,212	461,348	629,560
General endowment		93,103	236,034	329,137
Other endowments for various operating purposes		69,443	152,997	222,440
Total donor restricted endowment funds		547,619	1,670,321	2,217,940
Board designated quasi-endowment	12,325,550			12,325,550
Endowment Net Assets	<u>\$ 12,325,550</u>	<u>\$ 547,619</u>	<u>\$ 1,670,321</u>	<u>\$ 14,543,490</u>

CHILDREN’S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 14 - Continued

Changes to endowment net assets for the year ended June 30, 2019, are as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions Accumulated Earnings	Endowment Corpus	Total
Endowment net assets, June 30, 2018	\$ 11,780,041	\$ 477,950	\$ 1,667,821	\$ 13,925,812
Endowment investment return	553,841	96,818		650,659
Appropriations for expenditure	(8,332)	(28,649)		(36,981)
Transfers		1,500	2,500	4,000
Endowment Net Assets, June 30, 2019	<u>\$ 12,325,550</u>	<u>\$ 547,619</u>	<u>\$ 1,670,321</u>	<u>\$ 14,543,490</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Society to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new endowment contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters - The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period as well as board-designated funds as approved by the Board of Directors. The endowment assets are invested in accordance with a board approved investment policy, which has structured the fund as a diversified balanced fund. Its primary investment objective is long-term growth of capital on a total return basis. Thus it is managed to provide consistent inflation-adjusted support to the Society’s operating budget in perpetuity.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that balances return and risk through prudent management and investment allocations.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Society has a policy of appropriating for distribution up to 3% of the 36 month trailing average or up to 3% of the average since inception, whichever is less, of the investment fund’s value at the end of the previous year to which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 15 - Liquidity and Availability of Financial Assets

CHSW receives funding for programs through a blend of public funding and private contributions, some of which is restricted either contractually or by donors. The Society considers funding restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for program general expenditures. The Society manages its liquidity by maintaining cash on hand to cover at least one month of personnel expenses.

The endowment funds include several donor-restricted endowments. Unless otherwise specified by the donor, the endowment is subject to an annual spending rate of up to 3% as described in Note 14 and restricted to donor-specified uses. Donor-restricted endowment funds are not available for general expenditure.

The Society's board-designated quasi-endowment is subject to an annual spending rate of up to 3% as described in Note 14. Additionally, the board-designated facilities replacement fund is held for the purpose of maintaining current facilities beyond the scope of annual planned maintenance and for the purchase of new facilities. Although CHSW does not intend to spend from the quasi-endowment in excess of the spending rate or from the facilities fund for purposes other than those it is designated for, additional amounts could be made available if necessary.

The following reflects the Society's financial assets as of year end reduced by the amounts not available for general use within one year due to donor-imposed restrictions or internal designations as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,201,623	\$ 2,721,089
Accounts receivable, net, to be collected in less than one year	2,543,683	2,236,949
Investments	<u>16,617,013</u>	<u>16,585,094</u>
Total financial assets, excluding noncurrent receivables	25,362,319	21,543,132
Contractual or donor-imposed restrictions-		
Endowment fund investments	(2,176,354)	(2,217,940)
Add back amount to be appropriated for following year	31,733	58,786
Internal designations-		
Quasi-endowments	(12,399,437)	(12,325,550)
Add back amount to be appropriated for following year	354,582	328,240
Investments for facility purchase and maintenance	<u>(2,041,220)</u>	<u>(2,018,551)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,131,623</u>	<u>\$ 5,368,117</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 16 - Risk and Uncertainties

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The initial wave of the COVID-19 outbreak caused disruption to the Society's business operations, as all physical locations were temporarily closed starting in March 2020 in response to public health crisis. During the time that the location was closed, the Society continued functions with home deliveries and virtually through online capabilities. Management has taken measures to reduce costs and to maintain adequate liquidity. However, due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, management is currently unable to fully determine the extent of COVID-19s impact on our business in future periods. The business in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. Management continues to monitor evolving economic and general business conditions and the actual and potential impacts on the Society's financial position, results of operations and cash flows.

SUPPLEMENTARY INFORMATION

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY
Children's Home Society of Washington
Schedule of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	CHSW			
	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Operating Activities				
Private Support and Revenue:				
Direct support - contributions	\$ -	\$ 504,342	\$ 504,342	\$ 355,788
Net assets released from restrictions	991,518	(991,518)		
In-kind support	333,631		333,631	426,884
Program service fees	318,754		318,754	549,229
Investment return (Note 4)	(14,756)		(14,756)	(19,778)
Rental income and miscellaneous	44,407		44,407	50,473
Total Private Support and Revenue	1,673,554	(487,176)	1,186,378	1,362,596
Revenue From Governmental Agencies:				
Federal revenue	9,888,380		9,888,380	8,607,467
State revenue	5,149,326		5,149,326	5,009,111
County and local revenue	8,318,167		8,318,167	8,037,720
Total Revenue From Governmental Agencies	23,355,873		23,355,873	21,654,298
Total Support and Revenue	25,029,427	(487,176)	24,542,251	23,016,894
Transfers to and From the Foundation:				
Contributions transferred from the Foundation	3,206,427	930,050	4,136,477	4,312,966
Foundation board-approved investment returns distribution (Note 14)				8,332
Total Transfers	3,206,427	930,050	4,136,477	4,321,298
Total Support, Revenue and Transfers	28,235,854	442,874	28,678,728	27,338,192
Program Services Expenses:				
Early childhood care education	11,377,489		11,377,489	10,222,426
Child and family counseling	5,768,174		5,768,174	5,906,923
Adoption and secure families	1,952,497		1,952,497	2,759,801
Family support and parent education	2,460,584		2,460,584	2,129,229
Policy and innovation	1,154,620		1,154,620	1,160,159
Total Program Services	22,713,364		22,713,364	22,178,538
Supporting Services Expenses:				
General and administrative	4,167,383		4,167,383	3,630,096
Fund development	1,359,554		1,359,554	877,713
Total Supporting Services	5,526,937		5,526,937	4,507,809
Total Expenses	28,240,301		28,240,301	26,686,347
Change in Net Assets - Operating	(4,447)	442,874	438,427	651,845
Nonoperating Activities				
Net change in value of beneficial interest in perpetual trusts		(136,249)	(136,249)	57,302
Change in Net Assets From Nonoperating Activities		(136,249)	(136,249)	57,302
Total Change in Net Assets	(4,447)	306,625	302,178	709,147
Net assets, beginning of year	5,003,461	6,553,026	11,556,487	10,847,340
Net Assets, End of Year	\$ 4,999,014	\$ 6,859,651	\$ 11,858,665	\$ 11,556,487

See independent auditor's report.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY
Children's Home Society Trust Foundation
Schedule of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	CHSTF			
	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Operating Activities				
Private Support and Revenue:				
Direct support - contributions	\$ 2,381,454	\$ 1,050,802	\$ 3,432,256	\$ 3,122,471
In-kind contribution for services from CHSW (Note 10)	790,667		790,667	601,724
United Way	916,566		916,566	1,044,707
Investment return	227,982		227,982	217,000
Total Private Support and Revenue	4,316,669	1,050,802	5,367,471	4,985,902
Total Support and Revenue	4,316,669	1,050,802	5,367,471	4,985,902
Transfers to CHSW:				
Contributions transferred to CHSW	(3,206,427)	(930,050)	(4,136,477)	(4,312,966)
Foundation board-approved investment returns distribution to CHSW (Note 14)				(8,332)
Total Transfers	(3,206,427)	(930,050)	(4,136,477)	(4,321,298)
Total Support, Revenue and Transfers	1,110,242	120,752	1,230,994	664,604
Supporting Services Expenses:				
Fund development	790,667		790,667	601,724
Total Expenses	790,667		790,667	601,724
Change in Net Assets - Operating	319,575	120,752	440,327	62,880
Nonoperating Activities				
Board designated investment return	22,669		22,669	89,984
Endowment investment return	(16,884)	26,170	9,286	650,659
Total Change in Net Assets	325,360	146,922	472,282	803,523
Net assets, beginning of year	14,460,047	2,291,284	16,751,331	15,947,808
Net Assets, End of Year	\$ 14,785,407	\$ 2,438,206	\$ 17,223,613	\$ 16,751,331

See independent auditor's report.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Schedule of Changes in Net Assets Without Donor Restrictions
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Operating Activities		
Private Support and Revenue:		
Direct support - contributions	\$ 2,381,454	\$ 351,927
Net assets released from restrictions	991,518	2,609,898
In-kind support	333,631	288,884
United Way	916,566	1,044,707
Program service fees	318,754	549,229
Investment return	213,226	197,222
Rental income and miscellaneous	44,407	50,473
Total Private Support and Revenue	5,199,556	5,092,340
Revenue From Governmental Agencies:		
Federal revenue	9,888,380	8,607,467
State revenue	5,149,326	5,009,111
County and local revenue	8,318,167	8,037,720
Total Revenue From Governmental Agencies	23,355,873	21,654,298
Total Support and Revenue From Operations	28,555,429	26,746,638
Program Services Expenses:		
Early childhood care education	11,377,489	10,222,426
Child and family counseling	5,768,174	5,906,923
Adoption and secure families	1,952,497	2,759,801
Family support and parent education	2,460,584	2,129,229
Policy and innovation	1,154,620	1,160,159
Total Program Services	22,713,364	22,178,538
Supporting Services Expenses:		
General and administrative	4,167,383	3,630,096
Fund development	1,359,554	877,713
Total Supporting Services	5,526,937	4,507,809
Total Expenses	28,240,301	26,686,347
Change in Net Assets Without Donor Restrictions - Operating	315,128	60,291
Nonoperating Activities		
Board designated investment return	22,669	89,984
Endowment investment return	(16,884)	553,841
Change in Net Assets Without Donor Restrictions - Nonoperating	5,785	643,825
Change in Net Assets Without Donor Restrictions	\$ 320,913	\$ 704,116

See independent auditor's report.