

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended June 30, 2021

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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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Children's Home Society of Washington (CHSW) and Children's Home Society & Trust Foundation (CHSTF), collectively, the Society), which comprise the consolidated statement of financial position as of June 30, 2021, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 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 January 26, 2022, 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-C.

Certified Public Accountants
January 26, 2022

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Financial Position
 June 30, 2021
 (With Comparative Totals for 2020)

	CHSW	CHSTF	Consolidated 2021 Total	Consolidated 2020 Total
Assets				
Current Assets:				
Cash and equivalents	\$ 6,890,456	\$ 209,838	\$ 7,100,294	\$ 6,201,623
Current portions of accounts and pledges receivable, net (Note 2)	2,237,895	150,344	2,388,239	2,543,683
Intercompany receivable (payable)	(71,019)	71,019		
Prepaid expenses and other	550,095		550,095	486,941
Current portion of facility contribution receivable (Note 10)				66,000
Total Current Assets	9,607,427	431,201	10,038,628	9,298,247
Accounts and pledges receivable, net of current portion (Note 2)	4,500		4,500	298,771
Property and equipment, net (Note 3)	3,435,441		3,435,441	3,613,212
Investments (Note 4)		21,861,584	21,861,584	16,617,013
Beneficial interest in perpetual trusts (Note 6)	6,031,715		6,031,715	4,801,251
Total Assets	\$ 19,079,083	\$ 22,292,785	\$ 41,371,868	\$ 34,628,494
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 1,077,135	\$ -	\$ 1,077,135	\$ 610,365
Accrued liabilities	1,489,513		1,489,513	1,323,754
Deferred revenue	191,708		191,708	40,684
Current portion of Paycheck Protection Program loan (Note 7)	3,497,400		3,497,400	1,545,773
Current portion of capital lease obligations (Note 7)	34,160		34,160	34,160
Total Current Liabilities	6,289,916		6,289,916	3,554,736
Long-term portion of Paycheck Protection Program loan (Note 7)				1,951,627
Capital lease obligations, net of current portion (Note 7)	5,693		5,693	39,853
Total Liabilities	6,295,609		6,295,609	5,546,216
Net Assets:				
Without donor restrictions (Note 11)-				
Undesignated	4,885,098	39,785	4,924,883	4,999,014
Designated by the Board for general operating quasi-endowment		16,310,473	16,310,473	12,399,437
Designated by the Board for facilities and maintenance		2,686,623	2,686,623	2,041,220
Designated by the Board for operations		344,750	344,750	344,750
Total without donor restrictions	4,885,098	19,381,631	24,266,729	19,784,421
With donor restrictions (Note 12)	7,898,376	2,911,154	10,809,530	9,297,857
Total Net Assets	12,783,474	22,292,785	35,076,259	29,082,278
Total Liabilities and Net Assets	\$ 19,079,083	\$ 22,292,785	\$ 41,371,868	\$ 34,628,494

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, 2021
(With Comparative Totals for 2020)**

	CHSW	CHSTF	Eliminating Entries	Consolidated 2021 Total	Consolidated 2020 Total
Private Support and Revenue:					
Direct support - contributions	\$ -	\$ 2,403,593	\$ -	\$ 2,403,593	\$ 2,381,454
Net assets released from restrictions	867,986			867,986	991,518
In-kind support	292,402			292,402	333,631
In-kind contribution for services from CHSW		907,190	(907,190)		
United Way		1,070,081		1,070,081	916,566
Program service fees	489,392			489,392	318,754
Investment return (Note 4)	(16,786)	220,260		203,474	213,226
Rental income and miscellaneous	31,744			31,744	44,407
Total Private Support and Revenue	1,664,738	4,601,124	(907,190)	5,358,672	5,199,556
Revenue From Governmental Agencies:					
Federal revenue	10,852,160			10,852,160	9,888,380
State revenue	4,869,263			4,869,263	5,149,326
County and local revenue	8,484,667			8,484,667	8,318,167
Total Revenue From Governmental Agencies	24,206,090			24,206,090	23,355,873
Total Operating Support and Revenue	25,870,828	4,601,124	(907,190)	29,564,762	28,555,429
Transfers Between Entities:					
Contributions transferred	3,654,148	(3,654,148)			
Total Transfers	3,654,148	(3,654,148)			
Total Support, Revenue and Transfers	29,524,976	946,976	(907,190)	29,564,762	28,555,429
Program Services Expenses:					
Early childhood care education	11,937,584			11,937,584	11,377,489
Child and family counseling	5,607,470			5,607,470	5,768,174
Adoption and secure families	1,962,130			1,962,130	1,952,497
Family support and parent education	2,653,790			2,653,790	2,460,584
Policy and innovation	1,341,321			1,341,321	1,154,620
Total Program Services	23,502,295			23,502,295	22,713,364
Supporting Services Expenses:					
General and administrative	4,764,606			4,764,606	4,167,383
Fund development	1,371,991	907,190	(907,190)	1,371,991	1,359,554
Total Supporting Services	6,136,597	907,190	(907,190)	6,136,597	5,526,937
Total Operating Expenses	29,638,892	907,190	(907,190)	29,638,892	28,240,301
Change in Net Assets Without Donor Restrictions - Operating	\$ (113,916)	\$ 39,786	\$ -	\$ (74,130)	\$ 315,128

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	CHSW	CHSTF	Consolidated 2021 Total	Consolidated 2020 Total
Net Assets Without Donor Restrictions:				
Operating activity-				
Change in net assets without donor restrictions - operating	\$ (113,916)	\$ 39,786	\$ (74,130)	\$ 315,128
Quasi-endowment investment return (Note 4)		3,911,036	3,911,036	(16,884)
Board designated investment return (Note 4)		645,402	645,402	22,669
Change in Net Assets Without Donor Restrictions	(113,916)	4,596,224	4,482,308	320,913
Net Assets With Donor Restrictions:				
Direct support - contributions		273,251	273,251	1,555,144
State revenue	187,812		187,812	
Endowment investment return (Note 4)		688,132	688,132	26,170
Net assets released from restrictions (Note 12)	(867,986)		(867,986)	(991,518)
Contributions transferred	488,435	(488,435)		
Net change in value of beneficial interest in perpetual trusts (Note 6)	1,230,464		1,230,464	(136,249)
Change in Net Assets With Donor Restrictions	1,038,725	472,948	1,511,673	453,547
Total Change in Net Assets	924,809	5,069,172	5,993,981	774,460
Net assets, beginning of year	11,858,665	17,223,613	29,082,278	28,307,818
Net Assets, End of Year	\$ 12,783,474	\$ 22,292,785	\$ 35,076,259	\$ 29,082,278

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services					Total Programs	Supporting Services		2021 Total	2020 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	\$ 6,566,915	\$ 3,676,300	\$ 947,720	\$ 1,466,380	\$ 557,203	\$ 13,214,518	\$ 2,743,766	\$ 623,638	\$ 16,581,922	\$ 15,624,519
Employee benefits and taxes	1,520,478	849,650	214,985	332,533	122,585	3,040,231	637,151	142,998	3,820,380	3,952,758
	8,087,393	4,525,950	1,162,705	1,798,913	679,788	16,254,749	3,380,917	766,636	20,402,302	19,577,277
Professional fees	1,581,196	400,411	54,031	117,413	556,643	2,709,694	722,095	118,485	3,550,274	3,076,800
Other expenses	1,116,447	375,243	100,344	224,064	50,170	1,866,268	469,724	279,182	2,615,174	2,705,994
Occupancy	598,262	202,739	23,636	138,301	43,692	1,006,630	129,051	42,237	1,177,918	1,273,056
Specific assistance to individuals	372,829	13,883	597,330	150,020	2,190	1,136,252	4,637	5,553	1,146,442	847,819
In-kind donations	11,260			197,882		209,142		149,261	358,403	405,631
Depreciation	170,197	89,244	24,084	27,197	8,838	319,560	58,182	10,637	388,379	353,724
Total CHSW Expenses	11,937,584	5,607,470	1,962,130	2,653,790	1,341,321	23,502,295	4,764,606	1,371,991	29,638,892	28,240,301
CHSTF:										
In-kind support services								907,190	907,190	790,667
Total CHSTF Expenses								907,190	907,190	790,667
Eliminations								(907,190)	(907,190)	(790,667)
Total Expenses	\$ 11,937,584	\$ 5,607,470	\$ 1,962,130	\$ 2,653,790	\$ 1,341,321	\$ 23,502,295	\$ 4,764,606	\$ 1,371,991	\$ 29,638,892	\$ 28,240,301

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,993,981	\$ 774,460
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	388,379	353,724
Forgiven note		(249,651)
Net (gain) loss on long-term investments	(4,850,164)	372,704
(Gain) loss on beneficial interest in perpetual trusts	(1,230,464)	136,249
Loss on disposal of fixed assets	9,460	
Decrease (increase) in current assets:		
Accounts receivable, net	449,715	(313,984)
Facility contribution receivable	66,000	72,000
Prepaid expenses and other	(63,154)	40,996
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	632,529	(416,379)
Deferred revenue	151,024	(26,462)
Net Cash Provided by Operating Activities	1,547,306	743,657
Cash Flows From Investing Activities:		
Purchases of investments	(394,407)	(404,623)
Purchases of property and equipment	(220,068)	(321,739)
Net Cash Used in Investing Activities	(614,475)	(726,362)
Cash Flows From Financing Activities:		
Payments on capital lease obligations	(34,160)	(34,161)
Proceeds from forgivable loan		3,497,400
Net Cash (Used in) Provided by Financing Activities	(34,160)	3,463,239
Net Change in Cash and Equivalents	898,671	3,480,534
Cash and equivalents balance, beginning of year	6,201,623	2,721,089
Cash and Equivalents Balance, End of Year	\$ 7,100,294	\$ 6,201,623
Supplementary Disclosure:		
Cash paid for interest	\$ 2,184	\$ 2,148

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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 (Note 13).

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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.

Revenue Recognition -

Capitation Revenue - The Society provides counseling services to subscribing participants under prepaid health plan agreements. The Society's performance obligation is to stand ready to provide counseling services to subscribing participants at any time during the term of the contract. The transaction price is a standard daily per participant rate, based on the level of acuity established for each participant upon joining the plan. The Society recognizes the revenue over time (daily) as it stands ready to provide services. Revenue, related to capitation revenue under prepaid health plans, totaling \$5,046,927 and \$4,766,240 are included in revenue from governmental agencies on the consolidated statement of operating revenue and expenses without donor restrictions at June 30, 2021 and 2020, respectively. Accounts receivable, related to capitation revenue under prepaid health plans, totaling \$370,318 and \$797,279 are included in accounts and pledges receivable on the consolidated statement of financial position at June 30, 2021 and 2020, respectively.

Program Service Fees - The Society provides counseling services directly to clients. Client service revenue is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing services. These amounts are due from third-party payers (including health insurers and government programs) and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Society bills the third-party payers monthly, for the services performed. Revenue is recognized over time (daily) as performance obligations are satisfied. Revenue, related to program services fees, totaling \$2,739,039 and \$2,843,955 are included in revenue from governmental agencies on the consolidated statement of operating revenue and expenses without donor restrictions at June 30, 2021 and 2020, respectively. Accounts receivable, related to program service fee revenue, totaling \$271,740 and \$265,530 are included in accounts and pledges receivable on the consolidated statement of financial position at June 30, 2021 and 2020, respectively.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

All revenue from contracts with customers was recognized over time as services were rendered or costs were incurred, as applicable. Receivables from contracts with customers are reported as within accounts and pledges receivable on the statements of financial position. Management determined an allowance for contractual adjustment was not necessary at June 30, 2021 and 2020.

Revenue from the Medicaid programs accounted for approximately 32% and 33% of the Organization's total operating support and revenue for the years ended June 30, 2021 and 2020, respectively. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Grants and Contribution Revenue - The Society recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Certain grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At June 30, 2021 and 2020, the Society had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of \$7,839,399 and \$8,106,855, respectively. 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 mutual funds, 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 30,786 and 47,218 hours (unaudited) of their time valued at \$880,752 and \$1,330,594 (unaudited) during the years ended June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, in-kind support recorded consisted of donated professional and nonprofessional fees of \$3,400 and \$9,107, and in-kind materials/assets of \$289,002 and \$324,524, 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.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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>2021</u>	<u>2020</u>
Federal	35.9%	34.6%
State	16.7%	18.0%
County and local	<u>28.1%</u>	<u>29.1%</u>
Total Government Support	<u>80.7%</u>	<u>81.7%</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.

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, 2020 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, 2020, from which the summarized information was derived.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 2 - Accounts and Pledges Receivable

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

	<u>2021</u>	<u>2020</u>
Government agencies	\$ 2,404,395	\$ 2,204,297
Pledges	150,344	741,385
Facility contribution and other		<u>66,000</u>
	2,554,739	3,011,682
Less discount to present value (0.29%)		(8,479)
Less provision for uncollectible accounts	<u>(162,000)</u>	<u>(94,749)</u>
	<u>\$ 2,392,739</u>	<u>\$ 2,908,454</u>

Pledges receivable are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 145,844	\$ 434,135
Receivable in one to five years	4,500	307,250
Less discount to present value (0.29%)		<u>(8,479)</u>
	<u>\$ 150,344</u>	<u>\$ 732,906</u>

Pledges that are receivable in more than one year are discounted at an annual rate of 0.29% for each additional year through the term of the pledge.

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 6,164,315	\$ 6,164,315
Furniture, fixtures, vehicles and equipment	4,342,708	4,132,100
Land	<u>1,528,830</u>	<u>1,528,830</u>
	12,035,853	11,825,245
Less accumulated depreciation	<u>(8,600,412)</u>	<u>(8,212,033)</u>
	<u>\$ 3,435,441</u>	<u>\$ 3,613,212</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 4 - Investments

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

	<u>2021</u>	<u>2020</u>
Assets designated by the Board for long-term investments	\$ 19,341,846	\$ 14,785,407
Other long-term investments	<u>2,519,738</u>	<u>1,831,606</u>
	<u>\$ 21,861,584</u>	<u>\$ 16,617,013</u>

Investments were invested as follows at June 30:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 21,315,955	\$ 12,998,466
Cash and money market accounts	<u>545,629</u>	<u>3,618,547</u>
	<u>\$ 21,861,584</u>	<u>\$ 16,617,013</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 614,835	\$ 632,849
Net realized and unrealized gains (losses)	4,850,164	(372,669)
Investment management fees	<u>(16,955)</u>	<u>(14,999)</u>
	<u>\$ 5,448,044</u>	<u>\$ 245,181</u>

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, 2021 and 2020.

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

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 5 - Continued

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, 2021 and 2020, were as follows:

	Fair Value Measurements as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and money market accounts	\$ 545,629	\$ -	\$ -	\$ 545,629
Mutual funds-				
Fixed income	4,988,624			4,988,624
Equity	16,327,331			16,327,331
Total mutual funds	21,315,955			21,315,955
Total investments	21,861,584			21,861,584
Beneficial interest in perpetual trusts			6,031,715	6,031,715
	\$ 21,861,584	\$ -	\$ 6,031,715	\$ 27,893,299

	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
	\$ 16,617,013	\$ -	\$ 4,801,251	\$ 21,418,264

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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 \$220,260 and \$227,982 in earnings distributions from the trusts during the years ended June 30, 2021 and 2020, respectively. The earnings are available for general operating purposes. The Society's interest in net gains or (losses), in the trusts of \$1,230,464 and (\$136,249) for the years ended June 30, 2021 and 2020, respectively, are recognized in the consolidated statement of changes in net assets as donor-restricted endowment activities.

Note 7 - Long-Term Obligations

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

	<u>2021</u>	<u>2020</u>
Payment Protection Program forgivable loan in the original amount of \$3,497,400.	\$ 3,497,400	\$ 3,497,400
Capital lease payable for network upgrade equipment, monthly payments of \$3,033 including interest, due August 2022.	<u>39,853</u>	<u>74,013</u>
	3,537,253	3,571,413
Less current portion	<u>(3,531,560)</u>	<u>(1,579,933)</u>
	<u><u>\$ 5,693</u></u>	<u><u>\$ 1,991,480</u></u>

Future maturities on long-term obligations are as follows:

For the Year Ending June 30,

2022	\$ 3,531,560
2023	<u>5,693</u>
	<u><u>\$ 3,537,253</u></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, 2021 and 2020 and related accumulated amortization of \$373,774 and \$339,575 at June 30, 2021 and 2020, 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, 2021 (With Comparative Totals for 2020)

Note 7 - Continued

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%. Principal and interest are payable in monthly installments beginning in fiscal year 2022 through maturity on April 28, 2022.

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The Society's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue when the loan is forgiven by the lender. To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. The Society submitted its loan forgiveness application for \$1,047,176 of the PPP loan to the lender as of June 30, 2021 and will repay the remainder of the PPP loan.

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, 2021 and 2020, were \$379,980 and \$364,447, 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 \$866,208 and \$869,349 for the years ended June 30, 2021 and 2020, 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,

2022	\$	552,041
2023		110,611
2024		111,521
2025		84,947
		<hr/>
	\$	<u>859,120</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 10 - Contingencies and Contributed Facilities

Contingencies - 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. There was no facility contribution receivable recorded at June 30, 2021. The facility contribution receivable recorded at June 30, 2020 was \$66,000.

Note 11 - Net Assets Without Donor Restriction

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

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions or designations	\$ 4,924,883	\$ 4,999,014
Board-designated endowments-		
General operations quasi-endowment (Note 14)	16,310,473	12,399,437
Facilities and maintenance fund	2,686,623	2,041,220
Operating reserve	<u>344,750</u>	<u>344,750</u>
Total Net Assets Without Donor Restrictions	<u>\$ 24,266,729</u>	<u>\$ 19,784,421</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 \$16,310,473 and \$12,399,437 at June 30, 2021 and 2020, 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 13).

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 12 - Net Assets With Donor Restrictions

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

	2021			2020 Total
	CHSW	CHSTF	Total	
Subject to the Passage of Time or Expenditure for Specified Purpose:				
Unappropriated endowment earnings (Note 14)	\$ -	\$ 983,448	\$ 983,448	\$ 506,033
In-kind lease contribution receivable (Note 11)				66,000
Other programs	1,851,161	272,885	2,124,046	2,254,252
Total Subject to the Passage of Time or Expenditure for Specified Purpose	1,851,161	1,256,333	3,107,494	2,826,285
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)	6,031,715		6,031,715	4,801,251
Total Endowment Funds and Beneficial Interests	6,047,215	1,654,821	7,702,036	6,471,572
Total Net Assets With Donor Restrictions	\$ 7,898,376	\$ 2,911,154	\$ 10,809,530	\$ 9,297,857

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

	2021	2020
Releases from program restrictions-		
Endowment earnings appropriated	\$ 210,719	\$ 67,755
Program releases	591,267	851,763
Releases from time restrictions-		
In-kind lease contribution	66,000	72,000
Total Net Assets Released From Restriction	\$ 867,986	\$ 991,518

CHILDREN’S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 13 - 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, 2021, endowment net assets consisted of the following:

	Net Assets Without Donor Restriction	<u>Net Assets With Donor Restrictions</u>		
		Accumulated Earnings	Endowment Corpus	<u>2021 Total</u>
Donor restricted endowment funds-				
Endowment to prevent child abuse and neglect	\$ -	\$ 404,245	\$ 819,942	\$ 1,224,187
Hugh Cannon staff scholarship fund		191,343	461,348	652,691
General endowment		297,068	236,034	533,102
Other endowments for various operating purposes		<u>90,792</u>	<u>152,997</u>	<u>243,789</u>
Total donor restricted endowment funds		983,448	1,670,321	2,653,769
Board designated quasi-endowment	<u>16,310,473</u>			<u>16,310,473</u>
Endowment Net Assets	<u>\$ 16,310,473</u>	<u>\$ 983,448</u>	<u>\$ 1,670,321</u>	<u>\$ 18,964,242</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 13 - Continued

Changes to endowment net assets for the year ended June 30, 2021, are as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions		
		Accumulated Earnings	Endowment Corpus	2021 Total
Endowment net assets, June 30, 2020	\$ 12,399,437	\$ 506,033	\$ 1,670,321	\$ 14,575,791
Endowment investment return	3,911,036	688,132		4,599,168
Appropriations for expenditure		(210,717)		(210,717)
Endowment Net Assets, June 30, 2021	<u>\$ 16,310,473</u>	<u>\$ 983,448</u>	<u>\$ 1,670,321</u>	<u>\$ 18,964,242</u>

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	<u>\$ 12,399,437</u>	<u>\$ 506,033</u>	<u>\$ 1,670,321</u>	<u>\$ 14,575,791</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 13 - 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>

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, 2021 and 2020.

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 for both the board designated and donor restricted endowment, unless otherwise specified by donors for the donor restricted endowments. 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, 2021
(With Comparative Totals for 2020)**

Note 14 - Liquidity and Availability of Financial Assets

The Society 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,100,294	\$ 6,201,623
Accounts receivable, net, to be collected in less than one year	2,388,239	2,543,683
Investments	<u>21,861,584</u>	<u>16,617,013</u>
Total financial assets, excluding noncurrent receivables	31,350,117	25,362,319
Contractual or donor-imposed restrictions-		
Endowment fund investments	(2,653,769)	(2,176,354)
Add back amount to be appropriated for following year	73,600	31,733
Internal designations-		
Quasi-endowments	(16,310,473)	(12,399,437)
Add back amount to be appropriated for following year	178,782	354,582
Investments for facility purchase and maintenance	<u>(2,686,623)</u>	<u>(2,041,220)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,951,634</u>	<u>\$ 9,131,623</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 15 - Subsequent Events

The Society has evaluated subsequent events through January 26, 2022, the date on which the financial statements were available to be issued. No additional disclosures were required.

On December 7, 2021, The Society purchased an office building for approximately \$9,000,000. The purchase was partially financed with a mortgage note totaling \$7,500,000, with a fixed interest rate of 3.42%. Payments are due monthly with interest only payments for the first 36 months, payments totaling \$37,422 beginning on February 1, 2025, and a balloon payment at maturity on January 1, 2037.

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, 2021
(With Comparative Totals for 2020)

	CHSW			
	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Operating Activities				
Private Support and Revenue:				
Direct support - contributions	\$ -	\$ -	\$ -	\$ 504,342
Net assets released from restrictions	867,986	(867,986)		
In-kind support	292,402		292,402	333,631
Program service fees	489,392		489,392	318,754
Investment return (Note 4)	(16,786)		(16,786)	(14,756)
Rental income and miscellaneous	31,744		31,744	44,407
Total Private Support and Revenue	1,664,738	(867,986)	796,752	1,186,378
Revenue From Governmental Agencies:				
Federal revenue	10,852,160		10,852,160	9,888,380
State revenue	4,869,263	187,812	5,057,075	5,149,326
County and local revenue	8,484,667		8,484,667	8,318,167
Total Revenue From Governmental Agencies	24,206,090	187,812	24,393,902	23,355,873
Total Support and Revenue	25,870,828	(680,174)	25,190,654	24,542,251
Transfers to and From the Foundation:				
Contributions transferred from the Foundation	3,654,148	488,435	4,142,583	4,136,477
Total Transfers	3,654,148	488,435	4,142,583	4,136,477
Total Support, Revenue and Transfers	29,524,976	(191,739)	29,333,237	28,678,728
Program Services Expenses:				
Early childhood care education	11,937,584		11,937,584	11,377,489
Child and family counseling	5,607,470		5,607,470	5,768,174
Adoption and secure families	1,962,130		1,962,130	1,952,497
Family support and parent education	2,653,790		2,653,790	2,460,584
Policy and innovation	1,341,321		1,341,321	1,154,620
Total Program Services	23,502,295		23,502,295	22,713,364
Supporting Services Expenses:				
General and administrative	4,764,606		4,764,606	4,167,383
Fund development	1,371,991		1,371,991	1,359,554
Total Supporting Services	6,136,597		6,136,597	5,526,937
Total Expenses	29,638,892		29,638,892	28,240,301
Change in Net Assets - Operating	(113,916)	(191,739)	(305,655)	438,427
Nonoperating Activities				
Net change in value of beneficial interest in perpetual trusts		1,230,464	1,230,464	(136,249)
Change in Net Assets From Nonoperating Activities		1,230,464	1,230,464	(136,249)
Total Change in Net Assets	(113,916)	1,038,725	924,809	302,178
Net assets, beginning of year	4,999,014	6,859,651	11,858,665	11,556,487
Net Assets, End of Year	\$ 4,885,098	\$ 7,898,376	\$ 12,783,474	\$ 11,858,665

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, 2021
(With Comparative Totals for 2020)

	CHSTF			
	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Operating Activities				
Private Support and Revenue:				
Direct support - contributions	\$ 2,403,593	\$ 273,251	\$ 2,676,844	\$ 3,432,256
In-kind contribution for services from CHSW (Note 10)	907,190		907,190	790,667
United Way	1,070,081		1,070,081	916,566
Investment return	220,260		220,260	227,982
Total Private Support and Revenue	4,601,124	273,251	4,874,375	5,367,471
Total Support and Revenue	4,601,124	273,251	4,874,375	5,367,471
Transfers to CHSW:				
Contributions transferred to CHSW	(3,654,148)	(488,435)	(4,142,583)	(4,136,477)
Total Transfers	(3,654,148)	(488,435)	(4,142,583)	(4,136,477)
Total Support, Revenue and Transfers	946,976	(215,184)	731,792	1,230,994
Supporting Services Expenses:				
Fund development	907,190		907,190	790,667
Total Expenses	907,190		907,190	790,667
Change in Net Assets - Operating	39,786	(215,184)	(175,398)	440,327
Nonoperating Activities				
Board designated investment return	645,402		645,402	22,669
Endowment investment return	3,911,036	688,132	4,599,168	9,286
Total Change in Net Assets	4,596,224	472,948	5,069,172	472,282
Net assets, beginning of year	14,785,407	2,438,206	17,223,613	16,751,331
Net Assets, End of Year	\$ 19,381,631	\$ 2,911,154	\$ 22,292,785	\$ 17,223,613

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, 2021
(With Comparative Totals for 2020)

	2021	2020
Operating Activities		
Private Support and Revenue:		
Direct support - contributions	\$ 2,403,593	\$ 2,381,454
Net assets released from restrictions	867,986	991,518
In-kind support	292,402	333,631
United Way	1,070,081	916,566
Program service fees	489,392	318,754
Investment return (Note 4)	203,474	213,226
Rental income and miscellaneous	31,744	44,407
Total Private Support and Revenue	5,358,672	5,199,556
Revenue From Governmental Agencies:		
Federal revenue	10,852,160	9,888,380
State revenue	4,869,263	5,149,326
County and local revenue	8,484,667	8,318,167
Total Revenue From Governmental Agencies	24,206,090	23,355,873
Total Support and Revenue From Operations	29,564,762	28,555,429
Program Services Expenses:		
Early childhood care education	11,937,584	11,377,489
Child and family counseling	5,607,470	5,768,174
Adoption and secure families	1,962,130	1,952,497
Family support and parent education	2,653,790	2,460,584
Policy and innovation	1,341,321	1,154,620
Total Program Services	23,502,295	22,713,364
Supporting Services Expenses:		
General and administrative	4,764,606	4,167,383
Fund development	1,371,991	1,359,554
Total Supporting Services	6,136,597	5,526,937
Total Expenses	29,638,892	28,240,301
Change in Net Assets Without Donor Restrictions - Operating	(74,130)	315,128
Nonoperating Activities		
Board designated investment return (Note 4)	645,402	22,669
Endowment investment return (Note 4)	3,911,036	(16,884)
Change in Net Assets Without Donor Restrictions - Nonoperating	4,556,438	5,785
Change in Net Assets Without Donor Restrictions	\$ 4,482,308	\$ 320,913

See independent auditor's report.