

Audited Financial Statements

Westchester Children's Association, Inc.

December 31, 2017 and 2016

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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MAIER
MARKEY &
JUSTIC LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westchester Children's Association, Inc.

We have audited the accompanying financial statements of Westchester Children's Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westchester Children's Association, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maxine Mackey & Justice LLP

White Plains, New York
May 30, 2018

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 179,862	\$ 328,375
Investments	2,495,996	2,379,631
Grants receivable	50,000	-
Pledges receivable	166,850	127,724
Contributions receivable	50,389	-
Prepaid expenses	21,076	35,466
	<hr/>	<hr/>
Total current assets	2,964,173	2,871,196
Security deposits	9,618	9,618
Grants receivable	50,000	-
Pledges receivable, net of present value discount	79,819	150,494
Property, plant and equipment, net of accumulated depreciation of \$66,920 and \$64,688	6,482	8,714
	<hr/>	<hr/>
Total assets	<u>\$ 3,110,092</u>	<u>\$ 3,040,022</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 27,039	\$ 16,964
Investment derivative liabilities - call options written	98,062	66,574
Capital lease obligation	-	409
	<hr/>	<hr/>
Total current liabilities	125,101	83,947
<u>NET ASSETS</u>		
Unrestricted	289,006	165,850
Unrestricted - board designated	192,237	218,585
Temporarily restricted	250,118	318,010
Permanently restricted	2,253,630	2,253,630
	<hr/>	<hr/>
Total net assets	2,984,991	2,956,075
Total liabilities and net assets	<u>\$ 3,110,092</u>	<u>\$ 3,040,022</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 193,731	\$ -	\$ -	\$ 193,731
Grant income	117,500	175,000	-	292,500
Special events, net of direct benefit to donors of \$80,940	210,055	-	-	210,055
Income from investments, net	143,652	-	-	143,652
Other miscellaneous income	57,702	-	-	57,702
Net assets released from restriction	<u>242,892</u>	<u>(242,892)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>965,532</u>	<u>(67,892)</u>	<u>-</u>	<u>897,640</u>
<u>EXPENSES</u>				
Program services	694,248	-	-	694,248
Management and general	47,112	-	-	47,112
Fundraising	<u>127,364</u>	<u>-</u>	<u>-</u>	<u>127,364</u>
Total expenses	<u>868,724</u>	<u>-</u>	<u>-</u>	<u>868,724</u>
CHANGE IN NET ASSETS	96,808	(67,892)	-	28,916
NET ASSETS AT BEGINNING OF YEAR	<u>384,435</u>	<u>318,010</u>	<u>2,253,630</u>	<u>2,956,075</u>
NET ASSETS AT END OF YEAR	<u>\$ 481,243</u>	<u>\$ 250,118</u>	<u>\$ 2,253,630</u>	<u>\$ 2,984,991</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 237,572	\$ 16,410	\$ -	\$ 253,982
Grant income	42,000	87,150	-	129,150
Special events, net of direct benefit to donors of \$91,618	146,951	-	-	146,951
Income from investments, net	85,492	-	-	85,492
Other miscellaneous income	29,506	-	-	29,506
Net assets released from restriction	<u>260,252</u>	<u>(260,252)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>801,773</u>	<u>(156,692)</u>	<u>-</u>	<u>645,081</u>
<u>EXPENSES</u>				
Program services	696,661	-	-	696,661
Management and general	53,804	-	-	53,804
Fundraising	<u>136,708</u>	<u>-</u>	<u>-</u>	<u>136,708</u>
Total expenses	<u>887,173</u>	<u>-</u>	<u>-</u>	<u>887,173</u>
CHANGE IN NET ASSETS	(85,400)	(156,692)	-	(242,092)
NET ASSETS AT BEGINNING OF YEAR	<u>469,835</u>	<u>474,702</u>	<u>2,253,630</u>	<u>3,198,167</u>
NET ASSETS AT END OF YEAR	<u>\$ 384,435</u>	<u>\$ 318,010</u>	<u>\$ 2,253,630</u>	<u>\$ 2,956,075</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, benefits & taxes	\$ 526,592	\$ 20,219	\$ 94,870	\$ 641,681
Rent	43,708	7,284	7,284	58,276
Program activities	15,515	-	-	15,515
Credit card and bank charges	2,398	409	400	3,207
Professional fees	43,062	10,875	13,699	67,636
Telephone and internet	2,444	386	386	3,216
Travel and meals	4,187	669	2,795	7,651
Office expenses	2,818	445	463	3,726
Postage and shipping	3,198	307	325	3,830
Printing and publications	14,862	1,474	2,638	18,974
Miscellaneous	15,563	2,547	1,042	19,152
Conferences, seminars and dues	6,121	59	316	6,496
Depreciation	1,674	290	268	2,232
Equipment and maintenance	7,549	1,157	1,157	9,863
Advertising	210	270	1,000	1,480
Insurance	4,347	721	721	5,789
Total expenses	\$ 694,248	\$ 47,112	\$ 127,364	\$ 868,724

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, benefits & taxes	\$ 504,701	\$ 25,651	\$ 102,237	\$ 632,589
Rent	43,281	7,213	7,213	57,707
Program activities	8,962	-	-	8,962
Credit card and bank charges	2,444	407	407	3,258
Professional fees	71,368	14,796	8,980	95,144
Telephone and internet	4,127	400	400	4,927
Travel and meals	4,961	187	3,642	8,790
Office expenses	2,386	356	471	3,213
Postage and shipping	2,380	152	333	2,865
Printing and publications	16,056	658	6,590	23,304
Miscellaneous	13,855	2,094	2,353	18,302
Conferences, seminars and dues	7,541	-	489	8,030
Depreciation	3,340	557	557	4,454
Equipment and maintenance	6,953	884	2,087	9,924
Advertising	-	-	500	500
Insurance	4,306	449	449	5,204
Total expenses	\$ 696,661	\$ 53,804	\$ 136,708	\$ 887,173

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 28,916	\$ (242,092)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	2,232	4,454
Change in unrealized (gain)/loss	(69,000)	(106,166)
(Increase) decrease in:		
Grants receivable	(100,000)	-
Pledges receivable	31,549	158,984
Contributions receivable	(50,389)	
Prepaid expenses	14,390	713
Increase (decrease) in:		
Accounts payable and accrued expenses	10,075	(21,551)
Deferred revenue	-	(27,500)
Investment derivative liabilities - options	31,488	-
Net cash provided/(used) by operating activities	<u>(100,739)</u>	<u>(233,158)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,404,431)	(1,154,276)
Proceeds from sale of investments	<u>1,357,066</u>	<u>1,335,265</u>
Net cash provided/(used) by investing activities	<u>(47,365)</u>	<u>180,989</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of capital lease payable	<u>(409)</u>	<u>(2,437)</u>
Net cash used in financing activities	<u>(409)</u>	<u>(2,437)</u>
 Net decrease in cash and cash equivalents	 (148,513)	 (54,606)
Cash and cash equivalents at beginning of year	<u>328,375</u>	<u>382,981</u>
Cash and cash equivalents at end of year	<u>\$ 179,862</u>	<u>\$ 328,375</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 – Nature of business

Westchester Children's Association, Inc. ("the Organization") was established to improve the lives of Westchester's children by shaping policies and programs to meet their needs, and by keeping the well-being of Westchester's children at the top of the public agenda. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization receives contributions from individuals, corporations, foundations, other organizations and trusts.

Note 2 - Summary of significant accounting policies

Use of estimates

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

Basis of presentation

These financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles ("GAAP").

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$1,480 and \$500 for the years ended December 31, 2017 and 2016, respectively

Cash and cash equivalents

The Organization considers, for purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Functional allocation of expenses

The costs of program, supporting services and fundraising have been summarized on a functional basis in the statements of activities. Expenses are charged to program services, management and general and fundraising based on specific identification and allocations by management.

Financial statement presentation

The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. This classification requires that the amounts for each of three classes of net assets, unrestricted, temporarily restricted and permanently restricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. These classes are defined as follows:

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 – Summary of significant accounting policies (continued)

Financial statement presentation (continued)

Unrestricted net assets – All funds not restricted by a donor or grantor are classified as unrestricted.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as a net asset released from restrictions.

Permanently restricted net assets – Permanently restricted net assets are those assets which have a donor-imposed restriction stipulating that they be maintained permanently.

Promises to give and revenue recognition

Contributions, including unconditional promises to give (pledges), are recognized as support and revenue in the period in which they were received. All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Westchester Children's Association, Inc.'s policy is to report as unrestricted support, contributions with donor imposed restrictions when those restrictions are met in the same year that the contributions are received. Management has determined that an allowance for uncollectible pledges receivable is unnecessary as of December 31, 2017 and 2016.

Grants receivable

Grants that are expected to be collected within one year are recorded at their net realizable value. Grants that are expected to be collected in future years are recorded at the present value of the amount expected to be collected.

Property and equipment

Property and equipment are recorded at cost. Contributions of property and equipment are recorded at fair value at the date of donation. Depreciation is calculated using the double declining balance method over the estimated useful life of each asset.

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

Presentation

Certain amounts previously reported have been reclassified to conform to the 2017 presentation.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 – Summary of significant accounting policies (continued)

Net asset classifications

The Organization adopted ASC 958-205 (formerly Statement of Financial Accounting Standards (“SFAS”) No. 117-1), “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for all Endowment Funds” (“FSP SFAS 117-1”), during fiscal 2009. ASC 958-205 requires that disclosures be made on the Organization’s endowments by net asset classifications. On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). This law, which is a modified version of UPMIFA, makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts.

Investments

Investments are stated at fair market value. Unrealized gains and losses are recorded separately in the statement of activities.

Investment derivatives - options

The Organization is subject to equity price risk in the normal course of pursuing its investment objectives. The Organization may enter into options for use as an economic hedge against certain equity positions held in the Organization’s portfolio holdings. Option contracts purchased give the Organization the right, but not the obligation, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written obligate the Organization to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 – Summary of significant accounting policies (continued)

Uncertain tax positions

The Organization has adopted the Financial Accounting Standards Board (“FASB”) issued Codification Topic 740, on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization’s tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2013, which is the standard statute of limitations look-back period.

Note 3 – Pledges receivable

Pledges receivable, discounted to their net present value, are expected to be received as follows:

	<u>2017</u>	<u>2016</u>
Pledges due in less than one year	\$ 166,850	\$ 127,724
Pledges due in one to five years	<u>85,925</u>	<u>156,600</u>
Total pledges receivable	252,775	284,324
Less present value discount	<u>(6,106)</u>	<u>(6,106)</u>
	<u>\$ 246,669</u>	<u>\$ 278,218</u>

The pledges receivable due in one to five years were discounted at a rate of five percent.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 4— Investments

Investments are presented in the financial statements at fair market value and consist of the following as of December 31, 2017 and 2016:

	<u>Cost</u>		<u>Market Value</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:				
Equities	\$ 1,106,383	\$ 1,020,049	\$ 1,261,371	\$ 1,079,241
Corporate bonds	1,195,448	1,270,347	1,234,625	1,300,390
Total	<u>\$ 2,301,831</u>	<u>\$ 2,290,396</u>	<u>\$ 2,495,996</u>	<u>\$ 2,379,631</u>
Liabilities:				
Investment derivative liabilities				
- call options written	\$ 58,150	\$ 63,195	\$ 98,062	\$ 66,574
Total	<u>\$ 58,150</u>	<u>\$ 63,195</u>	<u>\$ 98,062</u>	<u>\$ 66,574</u>

Investment return for the year ended December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 80,453	\$ 94,663
Investment management fees	(33,434)	(31,693)
Change in unrealized gain/(loss)	69,000	106,166
Realized gain/(loss)	27,633	(83,644)
	<u>\$ 143,652</u>	<u>\$ 85,492</u>

The Organization's adoption of Financial Accounting Standards Board Statement, Accounting Standards Codification 820 ("FASB ASC 820") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities, securities and listed derivatives. As required by FASB ASC 820, the Organization does not adjust the quoted price for these investments, even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4— Investments (continued)

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and municipal bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations. As of December 31, 2017 and 2016, the Organization does not have any Level III investments.

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

The following table summarizes the levels in the fair value hierarchy that the Organization's investments fall into as of December 31, 2017:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Equities	\$ 1,261,371	\$ -	\$ -	\$ 1,261,371
Corporate bonds	-	1,234,625	-	1,234,625
Total	<u>\$ 1,261,371</u>	<u>\$ 1,234,625</u>	<u>\$ -</u>	<u>\$ 2,495,996</u>
Liabilities:				
Investment derivative liabilities				
- call options written	\$ 98,062	\$ -	\$ -	\$ 98,062
Total	<u>\$ 98,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,062</u>

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4– Investments (continued)

The following table summarizes the levels in the fair value hierarchy that the Organization's investments fall into as of December 31, 2016:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Equities	\$ 1,079,241	\$ -	\$ -	\$ 1,079,241
Corporate bonds	-	1,300,390	-	1,300,390
Total	<u>\$ 1,079,241</u>	<u>\$ 1,300,390</u>	<u>\$ -</u>	<u>\$ 2,379,631</u>
Liabilities:				
Investment derivative liabilities				
- call options	\$ 66,574	\$ -	\$ -	\$ 66,574
Total	<u>\$ 66,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,574</u>

The corporate bonds that are level II investments are valued through a pricing service based on broker quotes whose valuation models are generally based on maturity dates, expected recovery, yield or discount rate and volatility.

There were no transfers between Level I and II during the years ending December 31, 2017 and 2016.

Note 5 – Endowment

The Organization's endowment consists of permanently restricted net assets of certain donor restricted contributions to be held indefinitely, as well as unrestricted – board designated net assets. The income from all permanently restricted net assets is temporarily restricted until released by the Board.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted NYPMIFA as requiring the preservation of the fair value of the original funds restricted by the donors for permanently restricted net assets. As a result of this interpretation, the Organization classifies the original value of funds restricted by the donors as permanently restricted net assets. Additionally, the Organization classifies as board designated unrestricted net assets (a) the original value of funds appropriated to the endowment, (b) the original value of subsequent assets appropriated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the Board of Directors.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 5 – Endowment (continued)

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or invest endowment funds:

1. the duration and preservation of the fund;
2. the purposes of the Organization and the fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Organization; and
7. the investment policies of the Organization

Return objectives and risk parameters

The objectives of the Organization are to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the fund. The Board understands that some risk is appropriate for the generation of investment income but does not want to be exposed to more than a cumulative 25% loss of market value.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, the Organization assets should be invested in accordance with sound investment practices which emphasize long-term investment fundamentals and preservation of principal.

Invested assets must have a higher degree of principal protection while generating investment income on a risk-adjusted basis.

Spending policy

Distributions from the investment portfolio will be made in an amount to approximate 90% of the long-run return over inflation of the portfolio ("real rate of return"). That amount will be no greater than 5% (with a recommended range of 3%-5%) of the value of the investment portfolio. The value of the investment portfolio will be based on the month-end portfolio value of the month immediately prior to the Board of Director's approval of the budget. The amount to be distributed each year shall be recommended annually by the Finance Committee as part of the budget review and approval process, based on an evaluation of the Organization's actual portfolio performance and financial operations needs.

Additional amounts above 5% recommended by the Finance Committee require the approval of a separate resolution by the Board of Director's.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 5 – Endowment (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	-	\$ -	\$ 2,253,630	\$ 2,253,630
Board-designated endowment funds	<u>218,585</u>	<u>-</u>	<u>-</u>	<u>218,585</u>
Endowment net assets, beginning of year	<u>218,585</u>	<u>-</u>	<u>2,253,630</u>	<u>2,472,215</u>
Investment return:				
Investment income	116,019	-	-	116,019
Net appreciation (realized)	<u>27,633</u>	<u>-</u>	<u>-</u>	<u>27,633</u>
Total investment return	<u>143,652</u>	<u>-</u>	<u>-</u>	<u>143,652</u>
Appropriation of endowment assets for expenditure	<u>(170,000)</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>
Donor-restricted endowment funds	-	-	-	-
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 192,237</u>	<u>\$ -</u>	<u>\$ 2,253,630</u>	<u>\$ 2,445,867</u>

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 5 – Endowment (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	-	\$ -	\$ 2,253,630	\$ 2,253,630
Board-designated endowment funds	<u>273,093</u>	<u>-</u>	<u>-</u>	<u>273,093</u>
Endowment net assets, beginning of year	<u>273,093</u>	<u>-</u>	<u>2,253,630</u>	<u>2,526,723</u>
Investment return:				
Investment income	169,136	-	-	169,136
Net appreciation (realized)	<u>(83,644)</u>	<u>-</u>	<u>-</u>	<u>(83,644)</u>
Total investment return	85,492	-	-	85,492
Appropriation of endowment assets for expenditure	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
Donor-restricted endowment funds	-	-	-	-
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 218,585</u>	<u>\$ -</u>	<u>\$ 2,253,630</u>	<u>\$ 2,472,215</u>

Note 6 – Concentration of credit risk

The Organization maintains its cash and cash equivalents in accounts that are insured by the U.S. Federal Deposit Insurance Corporation ("FDIC"). Throughout the year the bank balances may exceed the limit insured by the FDIC. The Organization has not experienced any losses to date resulting from this policy.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 7 – Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Raise the Age	\$ 12,500	\$ 9,792
Frog Rock Foundation	-	50,000
Elias Foundation	100,000	-
READI Campaign	5,000	5,000
Centennial Campaign pledges	<u>132,618</u>	<u>253,218</u>
Total temporarily restricted net assets	<u>\$ 250,118</u>	<u>\$ 318,010</u>

Note 8 – Lease commitment

The Organization leases office space under the terms of a lease which expires in 2020. Rent expense related to this lease was \$58,277 and \$57,707 for the years ended December 31, 2017 and 2016, respectively. The rental agreement does not provide incremental rent increases; therefore, the rent expense is not recorded on a straight line basis. Minimum future payments under the lease term for the years ending December 31st are as follows:

<u>Year</u>	
2018	57,707
2019	57,707
2020	<u>38,471</u>
	<u>\$ 153,885</u>

Note 9 – Property, plant and equipment

Property, plant and equipment consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 20,499	\$ 20,499
Furniture and fixtures	52,903	52,903
Less: accumulated depreciation	<u>(66,920)</u>	<u>(64,688)</u>
	<u>\$ 6,482</u>	<u>\$ 8,714</u>

Depreciation expense was \$2,232 and \$4,454 for the years ended December 31, 2017 and 2016, respectively.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 10 – Capital lease obligation

In January 2014, the Organization executed a three year lease agreement with HP Financial Services for a HP replacement server totaling \$7,234. The lease term ended January, 2017. The Organization agreed to make fixed monthly payments of \$205. The lease is secured by the equipment. The outstanding lease balance as of December 31, 2017 and 2016 was \$0 and \$409, respectively and is included in the capital lease obligation on the statement of financial position.

The Organization incurred interest expense in the amount of \$1 and \$19 for the years ended December 31, 2017 and 2016 related to the lease, which is included in bank service charges on the statement of functional expenses.

Note 11 – Risks and uncertainties

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

Note 12 – Retirement plan

The Organization sponsors a qualified 401(k) retirement plan for employees with at least one year of employment. The Organization makes a contribution of four percent of an employee's salary, regardless of whether the employee contributes to the plan. The Organization incurred \$18,654 and \$17,691 of expense in relation to this plan for the years ended December 31, 2017 and 2016, respectively.

Note 13 – Subsequent events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through May 30, 2018 the date these financial statements were available to be issued.