

***CHILDREN'S HOME SOCIETY
OF WASHINGTON AND AFFILIATE***

Consolidated Financial Statements

For the Year Ended June 30, 2014

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Independent Auditor's Report***Board of Directors******Children's Home Society of Washington and Affiliate
Seattle, Washington***

We have audited the accompanying consolidated financial statements of Children's Home Society of Washington and Affiliate (collectively, the Society) as of June 30, 2014, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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.

CLARK NUBER

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2014, 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 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 accompanying supplementary information shown on pages 24 to 25 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 November 25, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

Clark Nuber P S

Certified Public Accountants
November 25, 2014

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Consolidated Statement of Financial Position - With Consolidating Information

June 30, 2014

(With Comparative Totals for 2013)

	<u>CHSW</u>	<u>CHSTF</u>	<u>2014 Total</u>	<u>2013 Total</u>
Current Assets:				
Cash and equivalents	\$ 1,128,364	\$ 79,054	\$ 1,207,418	\$ 1,477,938
Accounts receivable, net (Note 3)	1,593,741	800,000	2,393,741	1,749,396
Intercompany (payable) receivable	(1,134,835)	1,134,835		
Inventory	5,945		5,945	83,588
Prepaid expenses and other	152,969		152,969	78,526
Total Current Assets	1,746,184	2,013,889	3,760,073	3,389,448
Property and equipment, net (Note 4)	3,693,699		3,693,699	1,023,699
Property held for sale, net (Note 4)		21,960	21,960	828,313
Assets designated by board for long-term investments (Note 5)		10,600,495	10,600,495	
Investments (Note 5)	1,965,079		1,965,079	1,900,357
Beneficial interest in perpetual trusts (Note 7)	5,020,527		5,020,527	4,599,832
Total Assets	\$ 12,425,489	\$ 12,636,344	\$ 25,061,833	\$ 11,741,649
Current Liabilities:				
Accounts payable	\$ 381,144	\$ 64,874	\$ 446,018	\$ 510,249
Accrued liabilities	930,288		930,288	947,241
Deferred revenue	325,194		325,194	14,809
Current portion of long-term debt (Note 8)				26,213
Line of credit (Note 9)				981,658
Refundable grant (Note 10)				1,305,071
Total Current Liabilities	1,636,626	64,874	1,701,500	3,785,241
Long-term debt (Note 8)	249,651		249,651	158,808
Total Liabilities	1,886,277	64,874	1,951,151	3,944,049
Net Assets:				
Unrestricted (Note 15)	4,838,403	10,938,374	15,776,777	1,527,222
Temporarily restricted (Note 16)	602,782	107,605	710,387	897,555
Permanently restricted (Note 17)	5,098,027	1,525,491	6,623,518	5,372,823
Total Net Assets	10,539,212	12,571,470	23,110,682	7,797,600
Total Liabilities and Net Assets	\$ 12,425,489	\$ 12,636,344	\$ 25,061,833	\$ 11,741,649

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2014 Total</i>	<i>2013 Total</i>
Operating Activities					
Private Support and Revenue:					
Direct support	\$ 1,699,985	\$ 278,345	\$ 30,000	\$ 2,008,330	\$ 2,712,679
In-kind support	174,053			174,053	175,982
United Way	993,831			993,831	930,357
Program service fees	546,156			546,156	541,590
Investment return (Note 5)	191,776	4,730		196,506	182,066
Rental income and miscellaneous	97,482			97,482	236,361
Total Private Support and Revenue	3,703,283	283,075	30,000	4,016,358	4,779,035
Revenue From Governmental Agencies:					
Federal revenue	6,981,594			6,981,594	5,383,770
State revenue	3,315,736			3,315,736	3,123,074
County and local	3,141,887			3,141,887	3,133,287
Total From Governmental Agencies	13,439,217			13,439,217	11,640,131
Net assets released from restrictions	495,652	(495,652)			
Total Support and Revenue	17,638,152	(212,577)	30,000	17,455,575	16,419,166
Program Services Expenses:					
Out of home care	1,160,934			1,160,934	1,052,310
Family support and parent education	1,767,041			1,767,041	1,888,767
Early childhood care education	7,285,583			7,285,583	6,333,637
Adoption support services	658,798			658,798	499,847
Child and family counseling	2,398,971			2,398,971	2,270,351
Advocacy	943,713			943,713	1,031,813
Property services	236,685			236,685	304,084
Total Program Services	14,451,725			14,451,725	13,380,809
Support Services Expenses:					
General and administrative	3,224,172			3,224,172	2,444,377
Fund development	533,880			533,880	566,953
Total Support Services	3,758,052			3,758,052	3,011,330
Total Expenses	18,209,777			18,209,777	16,392,139
Change in Net Assets - Operating	(571,625)	(212,577)	30,000	(754,202)	27,027
Nonoperating Activities					
Gain on sale of property	13,952,064			13,952,064	
Gain on acquisition (Note 2)	845,349			845,349	
Endowment investment return (Note 5)	23,767	25,409		49,176	28,900
Net change in value of beneficial interest in perpetual trusts (Note 7)			420,695	420,695	178,963
Change in Net Assets - Nonoperating	14,821,180	25,409	420,695	15,267,284	207,863
Total Change in Net Assets	14,249,555	(187,168)	450,695	14,513,082	234,890
Net assets at beginning of year	1,527,222	897,555	5,372,823	7,797,600	7,562,710
Contributed net assets from merger			800,000	800,000	
Net Assets at End of Year	\$ 15,776,777	\$ 710,387	\$ 6,623,518	\$ 23,110,682	\$ 7,797,600

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 14,513,082	\$ 234,890
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation	210,299	345,435
Net (gain) loss on long-term investments	(19,146)	19,244
Gain on sale of property	(13,952,064)	
Gain on acquisition	(845,349)	
Gain on beneficial interest in perpetual trusts	(420,695)	(178,963)
Contributions to endowment classified as financing activities	(30,000)	(34,100)
Decrease (increase) in current assets:		
Accounts receivable, net	155,655	(86,056)
Inventory	77,643	(25,032)
Prepaid expenses and other	(74,443)	21,191
(Decrease) increase in current liabilities:		
Accounts payable and accrued liabilities	(81,184)	143,469
Deferred revenue	310,385	(26,744)
Refundable grant	(1,305,071)	269,537
Net Cash (Used) Provided by Operating Activities	(1,460,888)	682,871
Cash Flows From Investing Activities:		
Proceeds from sales of investments	1,362,880	416,427
Purchases of investments	(1,408,456)	(467,431)
Purchase of investments designated by board	(10,600,495)	
Proceeds from sale of property and equipment	14,511,535	
Purchases of property and equipment	(1,538,417)	(14,955)
Net Cash Provided (Used) by Investing Activities	2,327,047	(65,959)
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(185,021)	(52,778)
Net (payments) borrowings on line of credit agreements	(981,658)	274,455
Proceeds from contributions to endowment	30,000	34,100
Net Cash (Used) Provided by Financing Activities	(1,136,679)	255,777
Net Change in Cash and Equivalents	(270,520)	872,689
Cash and equivalents balance, beginning of year	1,477,938	605,249
Cash and Equivalents Balance, End of Year	\$ 1,207,418	\$ 1,477,938
Supplemental Disclosure:		
Cash paid for interest during the year	\$ 25,805	\$ 37,963
Property transferred to held for sale	\$ -	\$ 828,313
Property acquired for no consideration	\$ 1,095,000	\$ -
Debt assumed with acquisition	\$ 249,651	\$ -

See accompanying notes.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

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 in 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. Effective June 30, 2014 CHSWAM was merged with Children's Trust Foundation and was renamed Children's Home Society & Trust Foundation (CHSTF) (Note 2).

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:

Out of Home Care - Providing support for children and their families so the child can return to his or her family or help them transition to a permanent, loving home.

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.

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.

Adoption Support Services - Providing information, support, therapy, and education to the adoption community. The Society maintains its historical commitment to adoption and increases the understanding of complex adoption issues.

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

Advocacy - Advocating on behalf of those who have no voice, by educating policy makers and the public on the complex conditions that plague children and families.

Community Engagement - Improving the child welfare system and poverty reduction in Washington State by researching and testing innovative models informed by the community that transform systems to help people achieve financial independence.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 1 - Continued

Basis of Presentation - Net assets and revenues, expenses, 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets also include Board-designated net assets (Note 15).

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by actions of the Society and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets must be maintained by the Society in perpetuity, the income of which is expendable for operations. Permanently restricted net assets increase when the Society receives contributions for which donor-imposed restrictions limiting the Society's use of an asset for its economic benefits neither expire with the passage of time nor can be removed by the Society meeting certain requirements.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on 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 under the caption "net assets released from restrictions." Donor-imposed restrictions that are met in the same reporting period are classified as increases in unrestricted net assets.

Cash and 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 to be 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 Receivable - Accounts and grants 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 trade accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined by the moving average method. Inventories primarily represent books held for sale.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 1 - Continued

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 activities and changes in net assets. It is the Society's policy to invest in short and intermediate term debt and equity securities, emphasizing preservation and safety of capital and diversification of risk.

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

In-Kind Contributions - Donated materials, property and equipment are recorded at fair value when received. A substantial number of corporations and volunteers donated 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 22,023 and 29,126 hours of their time valued at \$321,313 and \$405,365 (unaudited) during the years ended June 30, 2014 and 2013, respectively.

In-kind contributions recorded consist primarily of donated professional and nonprofessional fees of \$8,661 and \$53,384 and in-kind materials/assets of \$124,980 and \$122,598 for the years ended June 30, 2014 and 2013, respectively.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The Society files income tax returns with the U.S. government and is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

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 activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating vs. Nonoperating - Investment return from permanently restricted endowment accounts and perpetual trusts is considered nonoperating activity, as well as, gains on sale of property and acquisition. All other activity is considered operating activity.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 1 - Continued

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 operating support and revenue for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Federal	40.0%	32.8%
State	19.0%	19.0%
County and local	<u>18.0%</u>	<u>19.1%</u>
Total Government Support	<u>77.0%</u>	<u>70.9%</u>

At times, cash deposits and investments exceeded FDIC and SIPC 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.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year consolidated financial statements. The reclassifications have no effect on the previously reported consolidated change in net assets or consolidated net asset balances.

Subsequent Events - The Society has evaluated subsequent events through November 25, 2014, the date on which the financial statements were available to be issued.

Note 2 - Business Combinations

Merger - 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 has been renamed Children's Home Society & Trust Foundation (CHSTF). CHSTF is organized to manage investments and raise funds that benefit CHSW.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 2 - Continued

As of June 30, 2014, the major classes of assets, liabilities, and net assets of CHSWAM and CTF follow:

	<u>CHSWAM</u>	<u>CTF</u>	<u>CHSTF</u>
Assets:			
Cash and equivalents	\$ 79,054	\$ 800,000	\$ 79,054
Accounts receivable			800,000
Intercompany receivable	1,134,835		1,134,835
Property held for sale	21,960		21,960
Investments	10,600,495		10,600,495
Total Assets	<u>\$ 11,836,344</u>	<u>\$ 800,000</u>	<u>\$ 12,636,344</u>
Liabilities:			
Accounts payable	\$ 64,874	\$ -	\$ 64,874
Total Liabilities	64,874		64,874
Net Assets:			
Unrestricted	10,938,374		10,938,374
Temporarily Restricted	107,605		107,605
Permanently Restricted	725,491	800,000	1,525,491
Total Net Assets	<u>11,771,470</u>	<u>800,000</u>	<u>12,571,470</u>
Total Liabilities and Net Assets	<u>\$ 11,836,344</u>	<u>\$ 800,000</u>	<u>\$ 12,636,344</u>

On the date of the merger, CTF had not transferred the \$800,000 in cash to CHSTF. As such, \$800,000 is reported as accounts receivable on the statement of financial position as of June 30, 2014.

There were no material transactions between CHSWAM and CTF prior to the merger and there were no material adjustments to conform to the accounting policies of the combined organization.

Acquisition - On June 28, 2013, the Secretary of the United States Department of Health and Human Services, acting through Administration for Children and Families, named the Society a successor grantee for an expanded Head Start program previously run by another not for profit organization. The acquisition of the program occurred during January 2014. As part of the acquisition, the Society became the title holder of the property valued at \$1,095,000, used to run the program. The Society paid no consideration as part of the acquisition. As part of the title transfer, they also acquired \$249,651 in forgivable debt with the City of Seattle (Note 8). On the statement of activities and changes in net assets, the gain on acquisition is recorded as the excess of the fair value of net assets acquired over the liabilities assumed. Gain on acquisition totaled \$845,349 for the year ending June 30, 2014 and is recognized as a part of nonoperating activities.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 3 - Accounts Receivable

Accounts receivable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Government agencies	\$ 1,337,244	\$ 1,153,856
Pledges	133,408	391,587
Funds from CTF (Note 2)	800,000	
Other	148,089	221,063
	<u>2,418,741</u>	<u>1,766,506</u>
Less provision for uncollectible accounts	(25,000)	(17,110)
	<u>\$ 2,393,741</u>	<u>\$ 1,749,396</u>

All pledges receivable are scheduled to be collected in less than one year.

Note 4 - Property and Equipment and Property Held for Sale

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 6,380,752	\$ 6,357,531
Furniture, fixtures and equipment	2,469,289	2,636,088
Land	1,528,830	1,127,506
	<u>10,378,871</u>	<u>10,121,125</u>
Less accumulated depreciation	(6,663,212)	(8,269,113)
Less property held for sale, net	(21,960)	(828,313)
	<u>\$ 3,693,699</u>	<u>\$ 1,023,699</u>

The Society had three properties which were held for sale as of June 30, 2013. One property was sold during the year ended June 30, 2014. One property was no longer held for sale as the Society determined they would continue to use the property for programs. As of June 30, 2014, the Society had only one remaining property that was held for sale and is being actively marketed. The property held for sale is reported at the lower of fair market value or cost. No impairment loss on this property was recognized during the year ended June 30, 2014. Gross amounts of property held for sale consisted of \$456,510 of buildings and improvements, net of \$434,550 of accumulated depreciation at June 30, 2014. Gross amounts of property held for sale at June 30, 2013 consisted of \$620,720 of land, \$3,008,727 of buildings and improvements, net of \$2,801,134 of accumulated depreciation.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 5 - Investments

Investments consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Marketable securities and equities	\$ 6,249	\$ 4,281
Mutual funds	1,254,970	1,595,346
Money market accounts	703,860	300,730
Money market accounts designated by board	<u>10,600,495</u>	<u></u>
	<u>\$ 12,565,574</u>	<u>\$ 1,900,357</u>

At June 30, 2014, CHSTF held \$10,600,495 in money market accounts that were designated by the Board of CHSTF to be invested in long term investments in subsequent years.

Investment return on investments and cash and cash equivalents was comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Net realized gains (losses)	\$ 1,790	\$ (141)
Net unrealized gains (losses)	17,356	(19,103)
Interest and dividend income	230,212	233,933
Investment management fees	<u>(3,676)</u>	<u>(3,723)</u>
	<u>\$ 245,682</u>	<u>\$ 210,966</u>

The Society reports its investment return in the consolidated statement of activities and changes in net assets as operating and endowment. Operating investment return includes investment income from dividends and interest on cash and investments that are nonendowment. All other investment return is considered nonoperating. The breakout is as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Operating investment return	\$ 196,506	\$ 182,066
Endowment investment return (Note 18)	<u>49,176</u>	<u>28,900</u>
	<u>\$ 245,682</u>	<u>\$ 210,966</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 6 - 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, 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, 2014 and 2013.

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

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

Marketable Securities and Equities - Valued at the closing price reported on the active market on which the securities are traded.

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.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 6 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2014 and 2013, were as follows:

	<i>Fair Value Measurements as of June 30, 2014</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities and equities-				
Information technology	\$ 6,249	\$ -	\$ -	\$ 6,249
Total marketable securities and equities	6,249			6,249
Mutual funds-				
Fixed income	906,102			906,102
Large cap blended	348,868			348,868
Total mutual funds	1,254,970			1,254,970
Money market accounts	11,304,355			11,304,355
Total investments	12,565,574			12,565,574
Beneficial interests in perpetual trusts			5,020,527	5,020,527
	\$ 12,565,574	\$ -	\$ 5,020,527	\$ 17,586,101

	<i>Fair Value Measurements as of June 30, 2013</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities and equities-				
Information technology	\$ 4,281	\$ -	\$ -	\$ 4,281
Total marketable securities and equities	4,281			4,281
Mutual funds-				
Fixed income	1,268,738			1,268,738
Large cap blended	326,608			326,608
Total mutual funds	1,595,346			1,595,346
Money market accounts	300,730			300,730
Total investments	1,900,357			1,900,357
Beneficial interests in perpetual trusts			4,599,832	4,599,832
	\$ 1,900,357	\$ -	\$ 4,599,832	\$ 6,500,189

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 6 - Continued

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

	<u>2014</u> <u>Level 3</u>	<u>2013</u> <u>Level 3</u>
Beginning balance	\$ 4,599,832	\$ 4,420,869
Earnings distributions	(192,125)	(178,708)
Other changes in value	612,820	357,671
Ending Balance	<u><u>\$ 5,020,527</u></u>	<u><u>\$ 4,599,832</u></u>

Note 7 - 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 \$192,125 and \$178,708 in earnings distributions from the trust during the years ended June 30, 2014 and 2013, respectively. The earnings are available for general operating purposes. The Society's interest in net gains and losses, respectively, in the trusts of \$420,695 and \$178,963 for the years ended June 30, 2014 and 2013, respectively, are recognized in the consolidated statement of activities and changes in net assets as permanently restricted activities.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 8 - Long-Term Debt

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

	<u>2014</u>	<u>2013</u>
Note payable to a commercial bank, monthly payments of \$2,192 including interest at 7.31% through September 30, 2016 with remaining principal and interest due October 31, 2016. Secured by deed of trust on related property in Kent, WA. Note was paid in full during the year ended June 30, 2014.	\$ -	\$ 84,894
Note payable to a commercial bank, monthly payments of \$1,895 including interest at 6.5% through August 31, 2013. Final balloon payment due September 10, 2013. Secured by deed of trust on related property in Wenatchee, WA. Subsequent to June 30, 2013, the Society refinanced this debt with a bank with terms calling for monthly payments of \$838 including interest of 5.75% through August 9, 2028. Note was paid in full during the year ended June 30, 2014.		100,127
Note payable to City of Seattle in the original amount of \$249,651. Secured by deed of trust on real property. Non-interest bearing and subject to use restriction for Head Start program. Note has the option to be forgiven at maturity date, October 31, 2019, provided the Society remains in compliance with the terms of the note.	<u>249,651</u>	
	249,651	185,021
Less current portion		<u>(26,213)</u>
	<u>\$ 249,651</u>	<u>\$ 158,808</u>

All outstanding principal matures October 31, 2019.

Assets under capitalized leases are included in property and equipment with a total cost of \$132,925 and \$208,012 at June 30, 2014 and 2013, respectively, and related accumulated amortization of \$132,925 and \$208,012 at June 30, 2014 and 2013, respectively. Amortization expense associated with assets under capital leases is included within depreciation expense. All capital leases became fully amortized during the year ended June 30, 2014.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 9 - Line of Credit

The Society has a revolving line of credit with its investment custodian for up to \$1,000,000, of which \$0 and \$981,658 was outstanding at June 30, 2014 and 2013, respectively. The line bears interest at LIBOR plus 1.25% (LIBOR was 2.5% and 1.9% at June 30, 2014 and 2013, respectively). There was no outstanding balance as of June 30, 2014.

Note 10 - Refundable Grant

The Society has received several distributions under an ongoing grant from the Northwest Area Foundation (NWAFF) to provide technical and financial assistance to help reduce poverty in several areas throughout Northwest Washington. The Society used \$381,338 and \$730,463 for the designated purpose, which was recognized as grant revenue in the years ended June 30, 2014 and 2013, respectively. The grant agreement was scheduled to terminate December 31, 2013, with any unused portion refundable to NWAFF. During the year ended June 30, 2014, CHSW assisted in establishing and launching a separate 501(c)(3) for the program and all unused funds were transferred to the new unrelated entity. The remaining portion of the advanced cash in the amount of \$0 and \$1,305,071 is recorded as a refundable grant at June 30, 2014 and 2013, respectively.

Note 11 - Benefit Plans

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, 2014 and 2013, were \$60,845 and \$0, respectively.

The Society also has a 403(b) salary deferral plan wherein employees may contribute a portion of their wages into the plan up to legal limits established by the IRS. Rights are immediately vested with the employee. The plan was terminated effective July 1, 2013.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 12 - Commitments

The Society has entered into various operating leases for facilities and equipment. Total rent expense under operating leases was \$559,496 and \$501,581 for the years ended June 30, 2014 and 2013, respectively. Subsequent to year end, the Society entered into a lease agreement for the expansion of the Spokane mental health program. The lease extends through August 2019.

Future minimum payments required under leases with initial or remaining noncancelable lease terms in excess of one year including the Spokane mental health program obligation, consist of the following:

For the Year Ending June 30,

2015	\$ 672,002
2016	452,686
2017	417,246
2018	424,004
2019	388,479
Thereafter	<u>2,484</u>
Future Minimum Lease Payments	<u>\$ 2,356,901</u>

Note 13 - Related Party Agreements

CHSWAM had an administrative services agreement with CHSW. Under the agreement, CHSW performed certain management, accounting, supervisory, and administrative services for CHSWAM. For services provided under this agreement, CHSWAM paid CHSW a fee of \$50,000 annually. At June 30, 2014 and 2013, CHSW forgave the annual fee due as a contribution to CHSWAM.

On June 27, 2014, CHSW and CHSTF entered into a memorandum of understanding regarding the functions each entity would perform on a go forward basis starting July 1, 2014. Subsequent to year-end the two entities negotiated a management services agreement which was approved by the respective Boards on October 3, 2014.

In addition, on January 1, 2004, CHSW entered into eight 10 year leases with CHSWAM for facilities used by its various programs and management. As of June 30, 2014, CHSTF transferred all real estate, except the property held for sale, to CHSW. Future minimum payments under the lease agreements will be \$0 due to the transfer. Total rent expense for the years ended June 30, 2014 and 2013, was \$218,665 and \$366,060, respectively. At both June 30, 2014 and 2013, CHSWAM forgave \$195,924 and \$317,262 of the annual rent due as a contribution to CHSW, respectively. During consolidation, all these transactions were eliminated.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 14 - Contingencies

The Society received block grant funds totaling \$134,749 from the City of Auburn in 1993 to rehabilitate a facility owned by the Society with the stipulation that the facility be used as a location for counseling. This stipulation was removed by the City of Auburn as of January 10, 2014.

The Society acquired block grant funds totaling \$249,651 from the City of Seattle from the Head Start program acquisition (Note 2) with the stipulation that the facility be used for a Head Start Program. This stipulation may be removed by the City of Seattle as of October 31, 2019.

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

Note 15 - Unrestricted Net Assets Designated by the Board

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

	<u>2014</u>	<u>2013</u>
General operations quasi-endowment (Note 18)	\$ 10,200,495	\$ 1,105,436
Facilities and maintenance fund	<u>400,000</u>	<u>580,036</u>
Total Unrestricted Designated Net Assets	<u><u>\$ 10,600,495</u></u>	<u><u>\$ 1,685,472</u></u>

Note 16 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Northwest region capital projects	\$ -	\$ 73,195
Walla Walla building replacement and maintenance reserve	107,605	107,605
Unappropriated endowment earnings (Note 18)	183,490	198,231
Other programs	<u>419,292</u>	<u>518,524</u>
	<u><u>\$ 710,387</u></u>	<u><u>\$ 897,555</u></u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended June 30, 2014

Note 17 - Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Endowments for various operating purposes (Note 18)	\$ 380,491	\$ 380,491
Endowment funds receivable from Children's Trust Foundation (Note 18)	800,000	
Hugh Cannon staff scholarship fund (Note 18)	422,500	392,500
Beneficial interest in perpetual trusts (Note 7)	<u>5,020,527</u>	<u>4,599,832</u>
	<u>\$ 6,623,518</u>	<u>\$ 5,372,823</u>

Note 18 - Endowment

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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 18 - Continued

As of June 30, 2014, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Donor restricted endowment funds	\$ -	\$ 183,490	\$ 1,602,991	\$ 1,786,481
Board designated quasi-endowment funds	10,200,495			10,200,495
Endowment Net Assets	<u>\$ 10,200,495</u>	<u>\$ 183,490</u>	<u>\$ 1,602,991</u>	<u>\$ 11,986,976</u>

As of June 30, 2013, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Donor restricted endowment funds	\$ -	\$ 198,231	\$ 772,991	\$ 971,222
Board designated quasi-endowment funds	1,105,436			1,105,436
Endowment Net Assets	<u>\$ 1,105,436</u>	<u>\$ 198,231</u>	<u>\$ 772,991</u>	<u>\$ 2,076,658</u>

Changes to endowment net assets for the year ended June 30, 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2013	\$ 1,105,436	\$ 198,231	\$ 772,991	\$ 2,076,658
Endowment investment return-				
Interest and dividends	17,027	18,050		35,077
Realized and unrealized gains	8,342	9,108		17,450
Investment management fees	(1,602)	(1,749)		(3,351)
Total endowment investment return	23,767	25,409		49,176
Appropriations for expenditure	(1,128,708)	(40,150)		(1,168,858)
Contributions			830,000	830,000
Transfer to endowment	10,200,000			10,200,000
Endowment Net Assets, June 30, 2014	<u>\$ 10,200,495</u>	<u>\$ 183,490</u>	<u>\$ 1,602,991</u>	<u>\$ 11,986,976</u>

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014**

Note 18 - Continued

Changes to endowment net assets for the year ended June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ 932,474	\$ 183,411	\$ 738,891	\$ 1,854,776
Endowment investment return-				
Interest and dividends	25,039	24,817		49,856
Realized and unrealized losses	(9,250)	(8,309)		(17,559)
Investment management fees	<u>(1,709)</u>	<u>(1,688)</u>		<u>(3,397)</u>
Total endowment investment return	14,080	14,820		28,900
Appropriations for expenditure	(290,673)			(290,673)
Contributions	<u>449,555</u>		<u>34,100</u>	<u>483,655</u>
Endowment Net Assets, June 30, 2013	<u>\$ 1,105,436</u>	<u>\$ 198,231</u>	<u>\$ 772,991</u>	<u>\$ 2,076,658</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 permanently restricted contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2014 and 2013.

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.

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

***Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014***

Note 18 - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Society has a policy of appropriating for distribution each year up to 5%, with a maximum of 6% of the 36 month trailing average of the investment fund's value at the end of the previous three years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

SUPPLEMENTARY INFORMATION

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2014

(With Comparative Totals for 2013)

	<i>Program Services</i>					
	<i>Out of Home Care</i>	<i>Family Support and Parent Education</i>	<i>Early Childhood Care Education</i>	<i>Adoption Support Services</i>	<i>Child and Family Counseling</i>	<i>Advocacy</i>
CHSW:						
Salaries	\$ 417,965	\$ 955,222	\$ 4,553,496	\$ 302,275	\$ 1,640,638	\$ 458,477
Employee benefits and taxes	93,770	201,514	990,793	64,604	369,910	103,747
Professional fees - clinical		320	200,053		30,050	1,613
Professional fees - other	4,944	47,657	101,648	169,654	37,916	260,289
In-kind donations	1,065	65,343	25,485	14,523	7,900	4,770
Supplies	18,084	59,973	287,544	10,639	113,884	28,331
Telephone	10,328	25,366	49,154	8,697	16,615	4,089
Postage and shipping	664	2,297	1,160	417	2,574	493
Occupancy	27,277	108,102	565,493	35,453	71,120	32,571
Equipment rental and maintenance	306	4,104	35,162	600	9,566	806
Printing and publication	4,951	15,324	22,415	4,291	7,906	215
Travel	14,085	41,264	126,130	24,180	26,132	31,347
Staff training	1,386	4,309	24,531	12,377	3,268	5,679
Specific assistance to individuals	553,825	135,030	209,714	4,288	19,548	3,370
Memberships and dues	2,679	1,010	7,249	55	723	
Awards and grants						2,985
Product sales costs		73,959				
Miscellaneous	5,475	4,301	2,655	2,873	12,261	3,412
Bank and service fees						
Insurance	3,295	15,020	60,810	3,872	19,247	1,497
Taxes						
Depreciation	835	6,926	22,091		9,713	22
Total CHSW Expenses	1,160,934	1,767,041	7,285,583	658,798	2,398,971	943,713
CHSWAM:						
Depreciation						
Professional fees - other						
Occupancy						
Bank charges						
Miscellaneous expense						
Supplies						
Insurance						
Total CHSWAM Expenses						
Total Society Expenses	\$ 1,160,934	\$ 1,767,041	\$ 7,285,583	\$ 658,798	\$ 2,398,971	\$ 943,713

See independent auditor's report.

Supporting Services

<u>Property Services</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Fund Development</u>	<u>Eliminations</u>	<u>2014 Total</u>	<u>2013 Total</u>
\$ -	\$ 8,328,073	\$ 1,615,810	\$ 311,049	\$ -	\$ 10,254,932	\$ 9,542,066
	1,824,338	352,084	61,675		2,238,097	2,050,744
	232,036	142			232,178	211,253
	622,108	577,605	38,251		1,237,964	916,111
	119,086	12,693	41,863		173,642	175,893
	518,455	113,912	13,126		645,493	194,274
	114,249	162,313	2,885		279,447	274,058
	7,605	15,077	8,226		30,908	25,069
	840,016	270,531	3,071	(195,923)	917,695	863,081
	50,544	55,184	7,718		113,446	157,118
	55,102	28,539	17,755		101,396	96,028
	263,138	52,394	19,992		335,524	330,160
	51,550	13,519	1,234		66,303	55,901
	925,775	2,613	60		928,448	849,254
	11,716	8,411	3,545		23,672	27,832
	2,985				2,985	23,311
	73,959	76			74,035	(14,134)
	30,977	39,213			70,190	17,993
		47,049			47,049	48,777
	103,741	27,208	2,049		132,998	142,668
		8,562			8,562	11,109
	39,587	17,160	1,381		58,128	89,489
	14,215,040	3,420,095	533,880	(195,923)	17,973,092	16,088,055
152,171	152,171				152,171	255,946
57,000	57,000			(50,000)	7,000	10,900
76,831	76,831				76,831	30,585
10	10				10	40
139	139				139	16
534	534				534	875
						5,722
286,685	286,685			(50,000)	236,685	304,084
\$ 286,685	\$ 14,501,725	\$ 3,420,095	\$ 533,880	\$ (245,923)	\$ 18,209,777	\$ 16,392,139

CHILDREN'S HOME SOCIETY OF WASHINGTON AND AFFILIATE

**Consolidated Statement of Unrestricted Activities
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	<u>2014</u>	<u>2013</u>
Operating Activities		
Private Support and Revenue:		
Direct support	\$ 1,699,985	\$ 2,387,611
In-kind support	174,053	175,982
United Way	993,831	930,357
Program service fees	546,156	541,590
Operating investment return	191,776	179,204
Rental income and miscellaneous	97,482	236,361
Total Private Support and Revenue	3,703,283	4,451,105
Revenue From Governmental Agencies:		
Federal revenue	6,981,594	5,383,770
State revenue	3,315,736	3,123,074
County and local	3,141,887	3,133,287
Total From Governmental Agencies	13,439,217	11,640,131
Net assets released from restrictions	495,652	488,892
Total Support and Revenue From Operations	17,638,152	16,580,128
Program Services Expenses:		
Out of home care	1,160,934	1,052,310
Family support and parent education	1,767,041	1,888,767
Early childhood care education	7,285,583	6,333,637
Adoption support services	658,798	499,847
Child and family counseling	2,398,971	2,270,351
Advocacy	943,713	1,031,813
Property services	236,685	304,084
Total Program Services	14,451,725	13,380,809
Support Services Expenses:		
General and administrative	3,224,172	2,444,377
Fund development	533,880	566,953
Total Support Services	3,758,052	3,011,330
Total Expenses	18,209,777	16,392,139
Change in Net Assets - Operating	(571,625)	187,989
Nonoperating Activities		
Gain on sale of property	13,952,064	
Gain on acquisition	845,349	
Endowment investment return	23,767	14,080
Change in Net Assets - Nonoperating	14,821,180	14,080
Increase in Unrestricted Net Assets	\$ 14,249,555	\$ 202,069

See independent auditor's report.