

CHILDREN'S TRUST, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

CHILDREN'S TRUST, INC.

CONTENTS

Independent Auditors' Report	1-2
---	------------

Financial Statements

Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Cash Flows.....	6
Statements of Functional Expenses	7-8

Notes to the Financial Statements	9-23
--	-------------

INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Trust, Inc.

We have audited the accompanying financial statements of Children's Trust, Inc. (a Massachusetts not-for-profit corporation) (formerly Friends of Children's Trust Fund, Inc.), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 auditors' 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 Children's Trust, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

Boston, MA
May 6, 2015

CHILDREN'S TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 586,455	\$ 472,963
Accounts receivable	475	--
Grants receivable	--	162,045
Promises to give	23,850	--
Prepaid expenses	12,001	16,125
Investments	1,170,197	1,004,008
Equipment (net of accumulated depreciation of \$71,973 at June 30, 2014 and 2013)	<u> --</u>	<u> --</u>
Total Assets	<u>\$ 1,792,978</u>	<u>\$ 1,655,141</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 87,626	\$ 75,498
Deferred revenue	<u>7,860</u>	<u>44,930</u>
Total Liabilities	95,486	120,428
Net Assets		
Unrestricted:		
Undesignated	341,672	262,927
Designated	<u>981,350</u>	<u>787,013</u>
Total unrestricted net assets	1,323,022	1,049,940
Temporarily restricted net assets	218,540	328,843
Permanently restricted net assets	<u>155,930</u>	<u>155,930</u>
Total Net Assets	<u>1,697,492</u>	<u>1,534,713</u>
Total Liabilities and Net Assets	<u>\$ 1,792,978</u>	<u>\$ 1,655,141</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Contributions and grants	\$ 97,321	\$ 88,674	\$ --	\$ 185,995
Special event, net of direct expenses of \$124,178	220,912	--	--	220,912
Program fees and other	74,786	--	--	74,786
In-kind contributions	223,841	--	--	223,841
Net assets released from restrictions through satisfaction of restrictions	198,977	(198,977)	--	--
Total Operating Revenues and Support	<u>815,837</u>	<u>(110,303)</u>	<u>--</u>	<u>705,534</u>
Operating Expenses				
Program services	427,725	--	--	427,725
Management and general	228,398	--	--	228,398
Fundraising	82,426	--	--	82,426
Total Operating Expenses	<u>738,549</u>	<u>--</u>	<u>--</u>	<u>738,549</u>
Increase (Decrease) From Operating Activities	<u>77,288</u>	<u>(110,303)</u>	<u>--</u>	<u>(33,015)</u>
Non-Operating Revenues				
Investment income	33,088	--	--	33,088
Net realized gains on investments	57,304	--	--	57,304
Net increase in unrealized appreciation on investments	105,402	--	--	105,402
Increase from Non-Operating Activities	<u>195,794</u>	<u>--</u>	<u>--</u>	<u>195,794</u>
Increase in Net Assets	<u>273,082</u>	<u>(110,303)</u>	<u>--</u>	<u>162,779</u>
Net Assets, Beginning of Year	<u>1,049,940</u>	<u>328,843</u>	<u>155,930</u>	<u>1,534,713</u>
Net Assets, End of Year	<u>\$ 1,323,022</u>	<u>\$ 218,540</u>	<u>\$ 155,930</u>	<u>\$ 1,697,492</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Contributions and grants	\$ 163,940	\$ 221,910	\$ --	\$ 385,850
Special event, net of direct expenses of \$76,624	48,242	--	--	48,242
Program fees and other	71,521	--	--	71,521
In-kind contributions	235,490	--	--	235,490
Net assets released from restrictions through satisfaction of restrictions	212,189	(212,189)	--	--
Total Operating Revenues and Support	<u>731,382</u>	<u>9,721</u>	<u>--</u>	<u>741,103</u>
Operating Expenses				
Program services	466,451	--	--	466,451
Management and general	140,763	--	--	140,763
Fundraising	147,092	--	--	147,092
Total Operating Expenses	<u>754,306</u>	<u>--</u>	<u>--</u>	<u>754,306</u>
Decrease from Operating Activities	<u>(22,924)</u>	<u>9,721</u>	<u>--</u>	<u>(13,203)</u>
Non-Operating Revenues				
Investment income	28,060	--	--	28,060
Net realized gain on investments	19,652	--	--	19,652
Net increase in unrealized appreciation on investments	70,505	--	--	70,505
Increase from Non-Operating Activities	<u>118,217</u>	<u>--</u>	<u>--</u>	<u>118,217</u>
Increase in Net Assets	95,293	9,721	--	105,014
Net Assets, Beginning of Year	<u>954,647</u>	<u>319,122</u>	<u>155,930</u>	<u>1,429,699</u>
Net Assets, End of Year	<u>\$ 1,049,940</u>	<u>\$ 328,843</u>	<u>\$ 155,930</u>	<u>\$ 1,534,713</u>

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

CHILDREN'S TRUST, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 162,779	\$ 105,014
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gains on sales of investments, net	(57,304)	(19,652)
Unrealized appreciation on investments, net	(105,402)	(70,505)
(Increase) decrease in:		
Accounts receivable	(475)	--
Grants receivable	162,045	(57,153)
Promises to give	(23,850)	150
Prepaid expenses	4,124	18,382
Increase (decrease) in:		
Accounts payable and accrued expenses	12,128	(51,968)
Deferred revenue	(37,070)	24,265
Total adjustments	<u>(45,804)</u>	<u>(156,481)</u>
Net Cash Provided by (Used in) Operating Activities	<u>116,975</u>	<u>(51,467)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	361,938	250,567
Purchases of investments	<u>(365,421)</u>	<u>(294,011)</u>
Net Cash Used in Investing Activities	<u>(3,483)</u>	<u>(43,444)</u>
Net Change in Cash and Cash Equivalents	113,492	(94,911)
Cash and Cash Equivalents, Beginning of Year	<u>472,963</u>	<u>567,874</u>
Cash and Cash Equivalents, End of Year	<u>\$ 586,455</u>	<u>\$ 472,963</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Salaries	\$ 34,949	\$ 83,124	\$ 18,460	\$ 136,533
Payroll taxes and employee benefits	<u>121</u>	<u>16,710</u>	<u>--</u>	<u>16,831</u>
Total Salaries and Related Costs	35,070	99,834	18,460	153,364
In-kind expenses	185,617	14,600	23,624	223,841
Program expenses	114,934	--	1,410	116,344
Consultants	7,508	82,200	1,000	90,708
Conference and training costs	75,018	1,168	--	76,186
Event expenses	--	--	27,292	27,292
Professional fees	325	15,035	--	15,360
Office and general	2,327	6,496	5,965	14,788
Travel and meals	3,683	1,690	152	5,525
Bank charges	--	4,995	9	5,004
Professional development	--	200	3,545	3,745
Dues, subscriptions and fees	602	2,180	645	3,427
Printing	<u>2,641</u>	<u>--</u>	<u>324</u>	<u>2,965</u>
Total Expenses	<u>\$ 427,725</u>	<u>\$ 228,398</u>	<u>\$ 82,426</u>	<u>\$ 738,549</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Salaries	\$ 40,247	\$ 73,723	\$ 83,736	\$ 197,706
Payroll taxes and employee benefits	<u>2,265</u>	<u>24,159</u>	<u>4,170</u>	<u>30,594</u>
Total Salaries and Related Costs	42,512	97,882	87,906	228,300
In kind-expenses	206,983	--	28,507	235,490
Program expenses	113,537	900	--	114,437
Conference and training costs	86,274	1,095	383	87,752
Professional fees	--	22,774	--	22,774
Event expenses	--	--	11,853	11,853
Office and general	8,861	2,884	4,326	16,071
Bank charges	--	11,676	95	11,771
Consultants	2,220	--	7,550	9,770
Professional development	3,210	850	4,073	8,133
Travel and meals	2,346	2,173	1,105	5,624
Dues, subscriptions and fees	--	455	1,095	1,550
Printing	<u>508</u>	<u>74</u>	<u>199</u>	<u>781</u>
Total Expenses	<u>\$ 466,451</u>	<u>\$ 140,763</u>	<u>\$ 147,092</u>	<u>\$ 754,306</u>

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

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 1 - ORGANIZATION

Children's Trust, Inc. (formerly Friends of Children's Trust Fund, Inc.) ("Children's Trust", the "Organization") was incorporated on July 1, 1991, as a non-profit organization under Chapter 180 of the Commonwealth of Massachusetts General Laws. The Organization's sole purpose is to leverage private funding to support the programs of the Children's Trust Fund ("CTF"), an agency created in 1988 by the legislature of the Commonwealth of Massachusetts. This unique public-private partnership's single mission is the prevention of child abuse and neglect.

The Children's Trust Fund leads statewide efforts to prevent child abuse and neglect by supporting parents and strengthening families. CTF is funded annually by legislature appropriations and Federal grant revenues. It is governed by a Board of Directors, which is comprised of the Commissioners and Secretariats of all state agencies that serve children and families as well as lawyers, pediatricians, psychologists, teachers, business leaders and other related professionals. This Board is separate and distinct from the Board of Children's Trust; however, the unique partnership allows both Boards to work in conjunction with one another in order to meet the collective goals of both entities. This partnership allows Children's Trust and CTF to share infrastructure, management, and programmatic costs, thereby maximizing efficiency in furtherance of the joint mission of both entities.

As an umbrella organization, CTF funds, evaluates and promotes the work of over 100 agencies that serve parents. Supported by the State, Federal, and private funding, CTF invests in Massachusetts' most precious resource: children and their families. CTF also raises public awareness about child abuse and neglect, spearheads efforts to train family support providers, brings public and private organizations together to work on behalf of families and children, and educates public policy makers. The support garnered through Children's Trust generates private funds to support prevention programs not funded, or under-funded, through CTF's public dollars.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Children's Trust are prepared on the accrual basis of accounting.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Children's Trust classifies net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Children's Trust and changes therein are classified and reported as follows:

Unrestricted:

Unrestricted net assets are those resources over which the Board of Directors has discretionary control.

Temporarily Restricted:

Temporarily restricted net assets include those resources subject to donor-imposed restrictions that will be satisfied by the actions of Children's Trust or the passage of time.

Permanently Restricted:

Permanently restricted net assets are those resources subject to a donor-imposed restriction that principal remain invested in perpetuity and that the income earned, including realized and unrealized appreciation, be used all or in part for unrestricted or temporarily restricted purposes.

DONATED ASSETS

Donated investments and other noncash donations are recorded at their estimated fair values at the date of donation.

CASH EQUIVALENTS

For purposes of the statements of cash flows, Children's Trust considers money market mutual funds and all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 12 for the discussion on fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

Dividends are recorded on the ex-dividend date. Investment income includes interest and dividend income and realized and unrealized gains and losses on investments bought and sold as well as held during the year.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Children's Trust's financial instruments consist of grants receivable, pledges receivable and investments. The fair value of grants receivable and pledges receivable is estimated based upon the net present value of estimated cash flows discounted at an appropriate discount rate commensurate with the risks involved with the timing of the estimated cash flow. The fair value of investments is based upon values provided by the external investment managers or quoted market values.

CONTRIBUTIONS

Contributions, including unconditional promises to give and grants receivable, are recognized as unrestricted revenues in the period awarded. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily and permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

EQUIPMENT

Equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the related assets (three years).

The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and any resulting gains or losses are accounted for in the Statement of Activities.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED EQUIPMENT

Donated equipment is recorded as a contribution at its approximate fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Children's Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Children's Trust reclassifies them from temporarily restricted net assets to unrestricted net assets at that time.

DEFERRED REVENUE

Deferred revenue consists of fundraising revenue received for events to be held subsequent to June 30, 2014 and 2013, respectively.

INCOME TAX STATUS

Children's Trust is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Children's Trust recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740, *Accounting for Uncertainties in Income Taxes*. Under that guidance, Children's Trust assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Children's Trust did not identify any uncertain tax positions at June 30, 2014 or 2013. Interest and penalties, if any, associated with unrecognized income taxes will be classified as additional income taxes in the Statement of Activities. Children's Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. Children's Trust believes it is no longer subject to income tax examinations for years prior to 2011.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Children's Trust's various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain amounts in 2013 have been reclassified to conform with the 2014 presentation.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2015, which is the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 3 - INVESTMENTS

Fair values and unrealized appreciation on investments at June 30, 2014 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
Equities	\$ 519,614	\$ 735,619	\$ 216,005
Mutual funds	370,349	402,531	32,182
Bonds	<u>24,848</u>	<u>32,047</u>	<u>7,199</u>
	<u>\$ 914,811</u>	<u>\$ 1,170,197</u>	<u>\$ 255,386</u>

Fair values and unrealized appreciation on investments at June 30, 2013 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
Equities	\$ 467,924	\$ 598,224	\$ 130,300
Mutual funds	336,272	348,850	12,578
Bonds	<u>49,828</u>	<u>56,934</u>	<u>7,106</u>
	<u>\$ 854,024</u>	<u>\$ 1,004,008</u>	<u>\$ 149,984</u>

The net increase in unrealized appreciation on investments was \$105,402 and \$70,505 for the years ended June 30, 2014 and 2013, respectively.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 4 - GRANTS RECEIVABLE AND PROMISES TO GIVE

At June 30, 2014 and 2013, grants receivable and promises to give were due in full within twelve months of year end. Management believes an allowance for uncollectibles is unnecessary at June 30, 2014 and 2013.

NOTE 5 - EQUIPMENT

A summary of equipment at June 30, 2014 and 2013 is as follows:

	2014	2013
Software	\$ 65,385	\$ 65,385
Computer equipment	<u>6,588</u>	<u>6,588</u>
	71,973	71,973
Less accumulated depreciation	<u>(71,973)</u>	<u>(71,973)</u>
	<u>\$ --</u>	<u>\$ --</u>

There was no depreciation expense charged to operations for the years ended June 30, 2014 and 2013.

NOTE 6 - NET ASSETS

The investments of unrestricted designated net assets for the years 2014 and 2013, respectively, consist of equities, mutual funds, and bonds totaling \$940,072 and \$773,213, and money market funds and cash totaling \$41,278 and \$13,800 to be used at the discretion of the Board. The Board has designated these funds for endowment purposes.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 6 - NET ASSETS (CONTINUED)

Temporarily restricted net assets at June 30, 2014 and 2013 were available for the following purposes:

	2014	2013
Moving Beyond Depression	\$ 69,050	\$ 100,000
Fatherhood	38,091	42,261
One Tough Job	27,055	24,121
Newborn Home Visiting	26,110	20,456
Comprehensive Parenting	20,289	33,705
Shaken Baby Syndrome	12,621	18,505
Child Personal Safety Program	7,102	36,389
Bartley Memorial Emergency Fund	6,847	--
Mass Family Centers	5,000	5,000
Lending Library	2,098	2,521
Parent Support Training	2,076	2,558
Technology	1,065	1,442
Reeh	950	950
Program General	186	30,008
Litman	--	10,927
	<u>\$ 218,540</u>	<u>\$ 328,843</u>

Permanently restricted net assets consist of donor restricted endowment funds, the income from which is expendable to support program services.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets released from restriction during the years ended June 30, 2014 and 2013 were for the following purposes:

	2014	2013
Moving Beyond Depression	\$ 30,950	\$ --
Fatherhood	13,170	41,804
One Tough Job	4,567	2,827
Newborn Home Visiting	5,345	7,187
Shaken Baby Syndrome	10,884	7,446
Child Personal Safety Program	42,416	49,444
Mass Family Centers	35,787	26,265
Lending Library	423	311
Parent Support Training	11,682	3,192
Technology	377	410
Program General	32,449	72,975
Litman	10,927	328
	<u>\$ 198,977</u>	<u>\$ 212,189</u>

NOTE 8 - IN-KIND CONTRIBUTIONS AND CONCENTRATIONS

A significant portion of the 2014 in-kind contributions represent donated advertising space from two contributors. The first contributor donated a three-month campaign for 250 subway 11x28" advertisement cards. The second contributor donated online advertising space. These contributions represent approximately 18% of total revenue and corresponding advertising expense represents 39% of all program expenses for 2014. A significant portion of the 2013 in-kind contributions represent donated advertising space from two contributors. The first contributor donated seven billboard placements as part of one public education campaign undertaken by the Organization to promote the Children's Trust's OneToughJob.org parenting website. The second contributor donated online advertising space. These contributions represent approximately 20% of total revenue and corresponding advertising expense represents 29% of all program expenses for 2013.

The in-kind contributions and corresponding expenses have been recorded at their fair value as determined for similar items. For the years ended June 30, 2014 and 2013, total in-kind contributions were \$223,841 and \$235,490, respectively. In addition, approximately 38% and 15% of total revenue was derived from one major fundraising event for the years ended June 30, 2014 and 2013, respectively.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 9 - CONCENTRATION OF CREDIT RISK DUE TO INVESTMENTS

The Organization maintains cash deposits at two institutions located in Massachusetts. Deposits at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. At certain times during the year, deposits at these banks may have exceeded the insured amount.

Investment concentration of credit risk consists of investments in equities, mutual funds, and bonds. These investments are not insured by any governmental agency and are subject to loss of principal. At June 30, 2014 and 2013, Children's Trust's carrying amount of these investments totaled \$1,170,197 and \$1,004,008, respectively.

NOTE 10 - PENSION PLAN

The Organization has adopted a SIMPLE-IRA plan under Internal Revenue Service Code 408 (P). Employees may contribute to the plan a percentage of pretax annual compensation, as defined in the plan, up to the maximum amount allowed under the provisions of the Internal Revenue Code. Under the plan, the Organization contributes 100% of the employees' elective deferral up to 3% of wages. Contributions totaling \$2,187 and \$1,558 for the years ended June 30, 2014 and 2013, respectively, were made by the Organization, in addition to the elective deferrals made by employees.

NOTE 11 - RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the carrying value of the investments reported on the Statements of Financial Position.

NOTE 12 - ENDOWMENT

The Organization's endowment consists of two individual 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. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 12 – ENDOWMENT (CONTINUED)

On July 2, 2009, a Massachusetts version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), a model act that provides rules of construction concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds, was codified as Chapter 180A of the Massachusetts General Laws, replacing the previous Chapter 180A which dealt with the same subject. The new law is effective for endowment funds held as of June 30, 2009 and thereafter. The Board of Directors has interpreted UPMIFA and Massachusetts Law Chapter 180A as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization would classify 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 would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts Law Chapter 180A. In accordance with Massachusetts Law Chapter 180A, the Organization considers the following facts in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment 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
- (7) The investment policies of the Organization

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 12 – ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Board Designated Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>981,350</u>	<u>--</u>	<u>981,350</u>
	<u>\$ 981,350</u>	<u>\$ 155,930</u>	<u>\$ 1,137,280</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2014:

	Board Designated Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 787,013	\$ 155,930	\$ 942,943
Investment return:			
Investment income	33,088	--	33,088
Net appreciation (realized and unrealized)	<u>162,706</u>	<u>--</u>	<u>162,706</u>
Total investment return	195,794	--	195,794
Donations and purchases of securities	365,421	--	365,421
Appropriation of endowment assets for expenditure	<u>(366,878)</u>	<u>--</u>	<u>(366,878)</u>
Endowment net assets, end of year	<u>\$ 981,350</u>	<u>\$ 155,930</u>	<u>\$ 1,137,280</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Board Designated Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>787,013</u>	<u>--</u>	<u>787,013</u>
	<u>\$ 787,013</u>	<u>\$ 155,930</u>	<u>\$ 942,943</u>

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 12 – ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended June 30, 2013:

	Board Designated Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 678,179	\$ 155,930	\$ 834,109
Investment return:			
Investment income	28,060	--	28,060
Net appreciation (realized and unrealized)	<u>90,157</u>	<u>--</u>	<u>90,157</u>
Total investment return	118,217	--	118,217
Donations and purchases of securities	294,011	--	294,011
Appropriation of endowment assets for expenditure	<u>(303,394)</u>	<u>--</u>	<u>(303,394)</u>
Endowment net assets, end of year	<u>\$ 787,013</u>	<u>\$ 155,930</u>	<u>\$ 942,943</u>

RETURN OBJECTIVES AND RISK PARAMETERS

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in money market accounts, mutual funds, bonds and equity securities, assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to exceed a composite benchmark index comprised of market indices weighted in proportion to the Organization's asset allocation policy. Actual returns in any given year will vary.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

The Organization has increased allocation of its assets to money market accounts as a conservative measure in order to protect the principal of the endowment funds.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organization's policy is to spend the current income each year in accordance with the donors' instructions.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 13 - FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the 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 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Children's Trust has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in these methodologies used at June 30, 2014 and 2013.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available or comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Children's Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Children's Trust are deemed to be actively traded.

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Grants receivable and promises to give: Valued at the present value of estimated future cash flows as determined by management. The related present value discounts are computed using an appropriate discount rate commensurate with the risks involved.

Fair values of financial instruments measured on a recurring basis at June 30, 2014 and 2013 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2014</u>				
Investment Securities				
Corporate stocks	\$ 735,619	\$ 735,619	\$ --	\$ --
Mutual funds	402,531	402,531	--	--
Corporate bonds	32,047	--	32,047	--
	<u>\$ 1,170,197</u>	<u>\$ 1,138,150</u>	<u>\$ 32,047</u>	<u>\$ --</u>
Promises to Give	<u>\$ 23,850</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 23,850</u>
<u>June 30, 2013</u>				
Investment Securities				
Corporate stocks	\$ 598,224	\$ 598,224	\$ --	\$ --
Mutual funds	348,850	348,850	--	--
Corporate bonds	56,934	--	56,934	--
	<u>\$ 1,004,008</u>	<u>\$ 947,074</u>	<u>\$ 56,934</u>	<u>\$ --</u>
Grants Receivable	<u>\$ 162,045</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162,045</u>

Grants and promises to give measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2014 are as follows:

	Grants Receivable	Promises to Give
Balance as of July 1, 2013	\$ 162,045	\$ --
Promises awarded	--	23,850
Collections received	<u>(162,045)</u>	<u>--</u>
Balance as of June 30, 2014	<u>\$ --</u>	<u>\$ 23,850</u>

CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Grants receivable and promises to give measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2013 are as follows:

	Grants Receivable	Promises to Give
Balance as of July 1, 2012	\$ 104,892	\$ 150
Promises awarded	82,153	--
Collections received	<u>(25,000)</u>	<u>(150)</u>
Balance as of June 30, 2013	<u>\$ 162,045</u>	<u>\$ --</u>