

CHILDREN'S TRUST, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

CHILDREN'S TRUST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Trust, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Trust, Inc. ("Children's Trust" or the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, 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 audits 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 Organization'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 Organization'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, 2016 and 2015, 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
March 24, 2017

CHILDREN'S TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 587,299	\$ 623,276
Accounts receivable	2,470	13,065
Grants receivable	3,500	19,500
Promises to give	10,590	36,450
Prepaid expenses	32,311	31,045
Investments	1,187,004	1,231,034
Website development costs, net of accumulated amortization of \$11,043 and \$0 at June 30, 2016 and 2015, respectively	22,087	33,130
Equipment, net of accumulated depreciation of \$71,973 at June 30, 2016 and 2015	--	--
Total Assets	<u>\$ 1,845,261</u>	<u>\$ 1,987,500</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 112,023	\$ 95,082
Deferred revenue	27,238	23,650
Total Liabilities	<u>139,261</u>	<u>118,732</u>
Net Assets		
Unrestricted:		
Undesignated	278,742	406,983
Designated	1,014,698	1,036,227
Total unrestricted net assets	1,293,440	1,443,210
Temporarily restricted net assets	256,630	269,628
Permanently restricted net assets	155,930	155,930
Total Net Assets	<u>1,706,000</u>	<u>1,868,768</u>
Total Liabilities and Net Assets	<u>\$ 1,845,261</u>	<u>\$ 1,987,500</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Contributions and grants	\$ 40,495	\$ 207,419	\$ --	\$ 247,914
Special event, net of direct expenses of \$133,271	140,848	--	--	140,848
Program fees and other	57,193	--	--	57,193
In-kind contributions	210,377	--	--	210,377
Net assets released from restrictions through satisfaction of restrictions	<u>220,417</u>	<u>(220,417)</u>	<u>--</u>	<u>--</u>
Total Operating Revenues and Support	<u>669,330</u>	<u>(12,998)</u>	<u>--</u>	<u>656,332</u>
Operating Expenses				
Program services	485,845	--	--	485,845
Management and general	177,120	--	--	177,120
Fundraising	<u>147,603</u>	<u>--</u>	<u>--</u>	<u>147,603</u>
Total Operating Expenses	<u>810,568</u>	<u>--</u>	<u>--</u>	<u>810,568</u>
Decrease from Operating Activities	<u>(141,238)</u>	<u>(12,998)</u>	<u>--</u>	<u>(154,236)</u>
Non-Operating Revenues (Expenses)				
Investment income	35,522	--	--	35,522
Net realized gains on investments	17,737	--	--	17,737
Decrease in unrealized appreciation of investments	<u>(61,791)</u>	<u>--</u>	<u>--</u>	<u>(61,791)</u>
Decrease from Non-Operating Activities	<u>(8,532)</u>	<u>--</u>	<u>--</u>	<u>(8,532)</u>
Decrease in Net Assets	<u>(149,770)</u>	<u>(12,998)</u>	<u>--</u>	<u>(162,768)</u>
Net Assets, Beginning of Year	<u>1,443,210</u>	<u>269,628</u>	<u>155,930</u>	<u>1,868,768</u>
Net Assets, End of Year	<u>\$ 1,293,440</u>	<u>\$ 256,630</u>	<u>\$ 155,930</u>	<u>\$ 1,706,000</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support				
Contributions and grants	\$ 7,953	\$ 251,406	\$ --	\$ 259,359
Special event, net of direct expenses of \$133,108	345,032	--	--	345,032
Program fees and other	72,188	--	--	72,188
In-kind contributions	251,231	--	--	251,231
Net assets released from restrictions through satisfaction of restrictions	<u>200,318</u>	<u>(200,318)</u>	<u>--</u>	<u>--</u>
Total Operating Revenues and Support	<u>876,722</u>	<u>51,088</u>	<u>--</u>	<u>927,810</u>
Operating Expenses				
Program services	429,963	--	--	429,963
Management and general	267,464	--	--	267,464
Fundraising	<u>126,812</u>	<u>--</u>	<u>--</u>	<u>126,812</u>
Total Operating Expenses	<u>824,239</u>	<u>--</u>	<u>--</u>	<u>824,239</u>
Increase from Operating Activities	<u>52,483</u>	<u>51,088</u>	<u>--</u>	<u>103,571</u>
Non-Operating Revenues (Expenses)				
Investment income	22,248	--	--	22,248
Net realized gain on investments	87,117	--	--	87,117
Decrease in unrealized appreciation of investments	<u>(41,660)</u>	<u>--</u>	<u>--</u>	<u>(41,660)</u>
Increase from Non-Operating Activities	<u>67,705</u>	<u>--</u>	<u>--</u>	<u>67,705</u>
Increase in Net Assets	<u>120,188</u>	<u>51,088</u>	<u>--</u>	<u>171,276</u>
Net Assets, Beginning of Year	<u>1,323,022</u>	<u>218,540</u>	<u>155,930</u>	<u>1,697,492</u>
Net Assets, End of Year	<u>\$ 1,443,210</u>	<u>\$ 269,628</u>	<u>\$ 155,930</u>	<u>\$ 1,868,768</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, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (162,768)	\$ 171,276
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized gains on sales of investments, net	(17,737)	(87,117)
Unrealized depreciation on investments, net	61,791	41,660
Amortization of website development costs	11,043	--
(Increase) decrease in:		
Accounts receivable	10,595	(12,590)
Grants receivable	16,000	(19,500)
Promises to give	25,860	(12,600)
Prepaid expenses	(1,266)	(19,044)
Increase (decrease) in:		
Accounts payable and accrued expenses	16,941	7,456
Deferred revenue	3,588	15,790
Total adjustments	126,815	(85,945)
Net Cash (Used in) Provided by Operating Activities	(35,953)	85,331
Cash Flows from Investing Activities		
Proceeds from sales of investments	368,576	416,698
Purchases of investments	(368,600)	(432,078)
Purchases of website development costs	--	(33,130)
Net Cash Used in Investing Activities	(24)	(48,510)
Net Change in Cash and Cash Equivalents	(35,977)	36,821
Cash and Cash Equivalents, Beginning of Year	623,276	586,455
Cash and Cash Equivalents, End of Year	\$ 587,299	\$ 623,276

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

CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Salaries	\$ 52,009	\$ 90,832	\$ 32,068	\$ 174,909
Payroll taxes and employee benefits	<u>244</u>	<u>21,029</u>	<u>--</u>	<u>21,273</u>
Total Salaries and Related Costs	52,253	111,861	32,068	196,182
In-kind expenses	121,250	16,100	73,027	210,377
Program expenses	192,581	--	--	192,581
Consultants	51,677	--	34,126	85,803
Conference and training costs	47,543	655	4,871	53,069
Professional fees	--	20,600	--	20,600
Office and general	2,013	15,999	587	18,599
Website	15,762	--	--	15,762
Bank charges	470	9,681	202	10,353
Dues, subscriptions and fees	298	689	734	1,721
Printing	1,708	7	--	1,715
Travel and meals	40	1,078	359	1,477
Professional development	--	300	1,064	1,364
Advertising	250	150	90	490
Event expenses	<u>--</u>	<u>--</u>	<u>475</u>	<u>475</u>
Total Expenses	<u>\$ 485,845</u>	<u>\$ 177,120</u>	<u>\$ 147,603</u>	<u>\$ 810,568</u>

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

CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Supporting Services			Total
	Program Services	Management and General	Fund- Raising	
Salaries	\$ 39,042	\$ 81,620	\$ 29,568	\$ 150,230
Payroll taxes and employee benefits	670	18,405	365	19,440
Total Salaries and Related Costs	39,712	100,025	29,933	169,670
In kind-expenses	133,028	39,220	78,983	251,231
Consultants	72,743	76,200	8,667	157,610
Program expenses	106,011	--	--	106,011
Conference and training costs	39,247	1,233	72	40,552
Website	32,837	--	--	32,837
Professional fees	400	22,879	--	23,279
Office and general	1,300	8,482	6,179	15,961
Bank charges	44	15,572	106	15,722
Professional development	3,000	875	349	4,224
Travel and meals	135	2,275	768	3,178
Dues, subscriptions and fees	1,398	505	633	2,536
Printing	108	--	1,050	1,158
Advertising	--	198	--	198
Event expenses	--	--	72	72
Total Expenses	\$ 429,963	\$ 267,464	\$ 126,812	\$ 824,239

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

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 – NATURE OF THE ORGANIZATION

Children's Trust, Inc. (formerly Friends of Children's Trust Fund, Inc., "Children's Trust" or 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.

CTF 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 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. Accordingly, revenues and support are recognized when earned and expenses are recognized when incurred regardless of the timing of the related cash flows.

FINANCIAL STATEMENT PRESENTATION

Children's Trust has presented its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Under this guidance, Children's Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as follows:

UNRESTRICTED NET ASSETS

Unrestricted net assets represent those assets not subject to donor-imposed restrictions. Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are also classified as unrestricted.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent those assets that are subject to explicit or implicit donor-imposed stipulations that may or will be met whether by actions of Children's Trust and/or the passage of time. When the restriction expires, the net assets are reclassified to unrestricted net assets.

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent those assets that are subject to explicit or implicit donor-imposed stipulations that they be maintained permanently by Children's Trust. Generally, the donors of these assets permit Children's Trust to use all or part of the income earned on the related investments for general or specific purposes. Realized and unrealized gains and losses on the related investments are classified as temporarily restricted.

CASH AND 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

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 14 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. 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.

WEBSITE DEVELOPMENT COSTS, NET

Website development costs are recorded at cost or, if donated, at the approximate fair value at the date of donation less accumulated amortization. All direct costs or materials and services incurred in developing Children's Trust's website are capitalized. Amortization is computed using the straight-line method over the estimated useful life of the asset of 3 years.

EQUIPMENT, NET

Equipment is stated at cost at the date of acquisition or fair value at the date of donation, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which is usually 3 years.

Purchases are determined to be capital expenditures based on Children's Trust's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding \$1,500. Those items which are not determined to be capital expenditures are charged to expense. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the statements of activities and changes in net assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used by Children's Trust are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

The fair value of the asset is measured using either available market prices or estimated discounted cash flows. There were no impairment charges taken during the years ended June 30, 2016 and 2015.

DONATED ASSETS

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

DONATED EQUIPMENT

Donated equipment is recorded as a contribution at 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.

CONTRIBUTIONS

Children's Trust recognizes contributions when received or unconditionally pledged. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or absence of donor imposed restrictions. Contributions which are restricted for use whose restrictions are met in the same reporting period are reflected as unrestricted support in the statements of activities and changes in net assets.

DEFERRED REVENUE

Deferred revenue consists of fundraising revenue received for events to be held subsequent to June 30, 2016 and 2015, respectively.

INCOME TAX STATUS

Children's Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Children's Trust, however, is subject to the tax on unrelated business income, if any such income exists. Children's Trust had no unrelated business income during the years ended June 30, 2016 and 2015.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS (CONTINUED)

Children's Trust recognizes and measures its unrecognized tax positions and 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. Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes in the statements of activities and changes in net assets. Children's Trust did not identify any uncertain tax positions at June 30, 2016 and 2015. Children's Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

USE OF ESTIMATES

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

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

SUBSEQUENT EVENTS

Children's Trust has evaluated subsequent events through March 24, 2017, the date these financial statements were available to be issued and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS

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

	Cost	Fair Value	Unrealized Appreciation
<u>2016</u>			
Corporate stocks	\$ 525,783	\$ 641,002	\$ 115,219
Mutual funds	503,323	510,652	7,329
Corporate bonds	<u>24,848</u>	<u>35,350</u>	<u>10,502</u>
	<u>\$ 1,053,954</u>	<u>\$ 1,187,004</u>	<u>\$ 133,050</u>
	Cost	Fair Value	Unrealized Appreciation
<u>2015</u>			
Corporate stocks	\$ 501,266	\$ 682,171	\$ 180,905
Mutual funds	491,194	516,240	25,046
Corporate bonds	<u>24,848</u>	<u>32,623</u>	<u>7,775</u>
	<u>\$ 1,017,308</u>	<u>\$ 1,231,034</u>	<u>\$ 213,726</u>

NOTE 4 - GRANTS RECEIVABLE AND PROMISES TO GIVE

At June 30, 2016 and 2015, grants receivable and promises to give were due in full within twelve months of year end. Management believes an allowance for uncollectible grants receivable and promises to give is unnecessary at June 30, 2016 and 2015.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 5 – EQUIPMENT, NET

A summary of equipment, net at June 30 is as follows:

	2016	2015
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, 2016 and 2015.

NOTE 6 - NET ASSETS

The investments of unrestricted designated net assets for the years ended June 30, 2016 and 2015, respectively, consist of equities, mutual funds and bonds totaling \$956,073 and \$1,000,810, and money market funds and cash totaling \$58,625 and \$35,417 to be used at the discretion of the Board. The Board has designated these funds for endowment purposes.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 6 - NET ASSETS (CONTINUED)

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

	2016	2015
Comprehensive Parenting	\$ 70,930	\$ 21,330
Fatherhood	61,249	83,200
Shaken Baby Syndrome	36,795	24,630
Newborn Home Visiting	34,193	30,027
Child Personal Safety Program	28,549	34,913
Bartley Memorial Emergency Fund	6,922	6,822
Parent Support Funds	6,198	--
General Training Funds	3,766	1,200
Program General	2,703	5,686
Lending Library	2,098	2,098
Parent Support Training	2,076	2,076
Reeh	1,150	1,050
One Tough Job	1	1
Moving Beyond Depression	--	19,030
Technology	--	1,065
Mass Family Centers	--	36,500
	<u>\$ 256,630</u>	<u>\$ 269,628</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 THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION

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

	2016	2015
Mass Family Centers	\$ 61,500	\$ 3,500
Fatherhood	49,901	31,571
Comprehensive Parenting	36,600	37,959
Shaken Baby Syndrome	22,585	25,741
Moving Beyond Depression	19,030	50,020
Parent Support Training	10,000	2,000
Child Personal Safety Program	8,565	12,565
General Training Funds	4,854	1,200
Program General	4,482	5,500
Newborn Home Visiting	1,835	2,083
Technology	1,065	--
One Tough Job	--	27,054
Bartley Memorial Emergency Fund	--	875
Litman	--	250
	<u>\$ 220,417</u>	<u>\$ 200,318</u>

NOTE 8 - IN-KIND CONTRIBUTIONS AND CONCENTRATIONS

A significant portion of the in-kind contributions for the year ended June 30, 2016 represent donated advertising space from one contributor. The contributor donated online advertising space. These contributions represent approximately 19% of total revenue and corresponding advertising expense represents 27% of all program expenses for the year ended June 30, 2016. A significant portion of the in-kind contributions for the year ended June 30, 2015 represent donated advertising space from one contributor. The contributor donated online advertising space. These contributions represent approximately 13% of total revenue and corresponding advertising expense represents 29% of all program expenses for the year ended June 30, 2015.

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, 2016 and 2015, total in-kind contributions were \$210,377 and \$251,231, respectively. In addition, approximately 22% and 35% of total revenue was derived from one major fundraising event for the years ended June 30, 2016 and 2015, respectively.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 9 – RELATED PARTY TRANSACTION

The Organization received \$16,100 and \$39,220 of in-kind legal services from the law firm of a member of the Board of Directors during the years ended June 30, 2016 and 2015, respectively.

NOTE 10 - CONCENTRATION OF CREDIT RISK

Children's Trust maintains cash deposits at two institutions located in Massachusetts. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At certain times during the year, deposits at these institutions may have exceeded the insured amount. No losses have been incurred due to banking activities.

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, 2016 and 2015, Children's Trust's carrying amount of these investments totaled \$1,187,004 and \$1,231,034, respectively.

NOTE 11 - PENSION PLAN

Children's Trust 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, Children's Trust contributes 100% of the employees' elective deferral up to 3% of wages. Contributions totaling \$2,191 and \$1,707 for the years ended June 30, 2016 and 2015, respectively, were made by Children's Trust, in addition to the elective deferrals made by employees.

NOTE 12 - RISKS AND UNCERTAINTIES

Children's Trust 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 13 - ENDOWMENT

Children's Trust's endowment consists of two individual funds established for a variety of purposes.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – ENDOWMENT (CONTINUED)

Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

As required by accounting principles generally accepted in the United States of America, 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.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of Children's Trust has interpreted the Massachusetts version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Massachusetts General Law Chapter 180A as requiring the preservation of 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 interpretation, Children's Trust 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 UPMIFA and Massachusetts Law Chapter 180A, Children's Trust considers the following factors in making a determination to invest or appropriate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Children's Trust 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 Children's Trust
- (7) The investment policies of Children's Trust

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – ENDOWMENT (CONTINUED)

RETURN OBJECTIVES AND RISK PARAMETERS

Endowment assets include those assets of donor-restricted funds that Children's Trust 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. Children's Trust expects its endowment funds, over time, to exceed a composite benchmark index comprised of market indices weighted in proportion to Children's Trust's asset allocation policy. Actual returns in any given year will vary.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

Children's Trust 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

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	Board Designated Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>1,014,698</u>	<u>--</u>	<u>1,014,698</u>
	<u>\$ 1,014,698</u>	<u>\$ 155,930</u>	<u>\$ 1,170,628</u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended June 30, 2016:

	Board Designated Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,036,227	\$ 155,930	\$ 1,192,157
Investment return:			
Investment income	23,388	--	23,388
Net depreciation (realized and unrealized)	(44,054)	--	(44,054)
Total investment return	(20,666)	--	(20,666)
Purchases of securities	368,600	--	368,600
Appropriation of endowment assets for expenditure	(369,463)	--	(369,463)
Endowment net assets, end of year	<u>\$ 1,014,698</u>	<u>\$ 155,930</u>	<u>\$ 1,170,628</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	Board Designated Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ --	\$ 155,930	\$ 155,930
Board-designated endowment funds	<u>1,036,227</u>	<u>--</u>	<u>1,036,227</u>
	<u>\$ 1,036,227</u>	<u>\$ 155,930</u>	<u>\$ 1,192,157</u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 – ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the Year Ended June 30, 2015:

	Board Designated Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 981,350	\$ 155,930	\$ 1,137,280
Investment return:			
Investment income	22,248	--	22,248
Net appreciation (realized and unrealized)	45,457	--	45,457
Total investment return	67,705	--	67,705
Purchases of securities	432,078	--	432,078
Appropriation of endowment assets for expenditure	(444,906)	--	(444,906)
Endowment net assets, end of year	\$ 1,036,227	\$ 155,930	\$ 1,192,157

NOTE 14 - FAIR VALUE MEASUREMENTS

FAIR VALUE HIERARCHY

Children's Trust uses a fair value hierarchy established by accounting principles generally accepted in the United States of America that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Valuation is based on quoted market prices in active markets for identical assets that Children's Trust has the ability to access at the measurement date.

Level 2 Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation must be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in these methodologies used during the years ended June 30, 2016 and 2015.

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 and to transact at that price. The mutual funds held by Children's Trust are deemed to be actively traded.

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

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of financial instruments measured on a recurring basis at June 30 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>2016</u>				
Investment Securities				
Corporate stocks	\$ 641,002	\$ 641,002	\$ --	\$ --
Mutual funds	510,652	510,652	--	--
Corporate bonds	<u>35,350</u>	<u>--</u>	<u>35,350</u>	<u>--</u>
	<u>\$ 1,187,004</u>	<u>\$ 1,151,654</u>	<u>\$ 35,350</u>	<u>\$ --</u>
Promises to Give	<u>\$ 10,590</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,590</u>
Grants Receivable	<u>\$ 3,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,500</u>
<u>2015</u>				
Investment Securities				
Corporate stocks	\$ 682,171	\$ 682,171	\$ --	\$ --
Mutual funds	516,240	516,240	--	--
Corporate bonds	<u>32,623</u>	<u>--</u>	<u>32,623</u>	<u>--</u>
	<u>\$ 1,231,034</u>	<u>\$ 1,198,411</u>	<u>\$ 32,623</u>	<u>\$ --</u>
Promises to Give	<u>\$ 36,450</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 36,450</u>
Grants Receivable	<u>\$ 19,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,500</u>

CHILDREN'S TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Grants and promises to give measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2016 are as follows:

	Grants Receivable	Promises to Give
Balance as of July 1, 2015	\$ 19,500	\$ 36,450
Collections received	<u>(16,000)</u>	<u>(25,860)</u>
Balance as of June 30, 2016	<u>\$ 3,500</u>	<u>\$ 10,590</u>

Grants receivable and promises to give measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2015 are as follows:

	Grants Receivable	Promises to Give
Balance as of July 1, 2014	\$ --	\$ 23,850
Promises awarded	19,500	36,450
Collections received	<u>--</u>	<u>(23,850)</u>
Balance as of June 30, 2015	<u>\$ 19,500</u>	<u>\$ 36,450</u>