



CHRISTIAN FAMILY SERVICES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**For the Years Ended
December 31, 2018 and 2017**

SIKICH.COM

CHRISTIAN FAMILY SERVICES, INC.
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3-4
Statements of Activities.....	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows.....	9-10
Notes to Financial Statements.....	11-21
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.....	22
SUPPLEMENTARY INFORMATION	
Schedules of Revenues and Support.....	23-26

12655 Olive Blvd., Suite 200
St. Louis, MO 63141
314.275.7277

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christian Family Services, Inc.

We have audited the accompanying financial statements of Christian Family Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Family Services, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Sikich LLP

St. Louis, Missouri
August 16, 2019

FINANCIAL STATEMENTS

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents:		
Operating Fund	\$ 290,348	\$ 131,138
Timothy Fund	<u>68,862</u>	<u>40,621</u>
Total Cash and Cash Equivalents	359,210	171,759
Accounts receivable, net	15,615	16,558
Pledges receivable, net	16,765	28,090
Prepaid expenses	<u>4,317</u>	<u>3,359</u>
Total Current Assets	<u>395,907</u>	<u>219,766</u>
INVESTMENTS	<u>303,160</u>	<u>327,467</u>
PROPERTY AND EQUIPMENT		
Building and improvements	253,864	253,864
Land	75,000	75,000
Equipment	<u>27,895</u>	<u>27,895</u>
Total Property and Equipment	356,759	356,759
Less: accumulated depreciation	<u>107,834</u>	<u>98,220</u>
Net Property and Equipment	<u>248,925</u>	<u>258,539</u>
TOTAL ASSETS	<u><u>\$ 947,992</u></u>	<u><u>\$ 805,772</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable	\$ 3,863	\$ 2,565
Deferred revenue	49,746	-
Accrued payroll and sick pay	<u>41,360</u>	<u>44,054</u>
Total Liabilities, All Current	<u>94,969</u>	<u>46,619</u>
NET ASSETS		
Without donor restriction	739,595	647,078
With donor restriction	<u>113,428</u>	<u>112,075</u>
Total Net Assets	<u>853,023</u>	<u>759,153</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 947,992</u></u>	 <u><u>\$ 805,772</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2018

	2018		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES AND SUPPORT			
Contributions	\$ 458,461	\$ 28,318	\$ 486,779
Service fees	243,985	-	243,985
Grant income	-	20,304	20,304
Special events	113,862	-	113,862
Less: costs of direct benefits to donors	(32,925)	-	(32,925)
Investment return, net	(22,127)	(2,180)	(24,307)
Net assets released from restrictions	45,089	(45,089)	-
 Total Revenues and Support	 806,345	 1,353	 807,698
EXPENSES			
Program Services:			
Adoption	104,403	-	104,403
Foster Care	140,346	-	140,346
Maternity	89,860	-	89,860
Family Life	297,268	-	297,268
 Total Program Services	 631,877	 -	 631,877
General and administrative	46,006	-	46,006
Fundraising	35,945	-	35,945
 Total Expenses	 713,828	 -	 713,828
 INCREASE IN NET ASSETS	 92,517	 1,353	 93,870
 NET ASSETS - BEGINNING OF YEAR	 647,078	 112,075	 759,153
 NET ASSETS - END OF YEAR	 <u>\$ 739,595</u>	 <u>\$ 113,428</u>	 <u>\$ 853,023</u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF ACTIVITIES (Continued)
For the Year Ended December 31, 2017

	2017		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES AND SUPPORT			
Contributions	\$ 298,698	\$ 27,689	\$ 326,387
Service fees	267,633	-	267,633
Grant income	-	1,250	1,250
Special events	120,523	-	120,523
Less: costs of direct benefits to donors	(36,477)	-	(36,477)
Investment return, net	39,218	4,730	43,948
Net assets released from restrictions	40,695	(40,695)	-
Total Revenues and Support	730,290	(7,026)	723,264
EXPENSES			
Program Services:			
Adoption	100,325	-	100,325
Foster Care	114,248	-	114,248
Maternity	90,998	-	90,998
Family Life	297,108	-	297,108
Total Program Services	602,679	-	602,679
General and administrative	42,821	-	42,821
Fundraising	34,145	-	34,145
Total Expenses	679,645	-	679,645
INCREASE (DECREASE) IN NET ASSETS	50,645	(7,026)	43,619
NET ASSETS - BEGINNING OF YEAR	596,433	119,101	715,534
NET ASSETS - END OF YEAR	<u>\$ 647,078</u>	<u>\$ 112,075</u>	<u>\$ 759,153</u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	PROGRAM SERVICES				GENERAL		
	ADOPTION	FOSTER CARE	MATERNITY	FAMILY LIFE	& ADMIN	FUNDRAISING	TOTAL
Salaries and wages	\$ 71,912	\$ 82,343	\$ 51,134	\$ 206,270	\$ 14,927	\$ 24,923	\$ 451,509
Retirement plan contributions	1,408	1,613	1,001	4,041	292	488	8,843
Other employee benefits	8,912	10,205	6,337	25,563	1,850	3,089	55,956
Payroll taxes	5,084	5,821	3,615	14,582	1,055	1,762	31,919
Professional fees	342	-	-	-	12,984	-	13,326
Office expenses	3,358	3,845	2,388	9,633	697	1,164	21,085
Occupancy	6,169	6,991	4,524	17,273	4,113	2,056	41,126
Printing and publications	1,215	1,391	864	3,487	252	421	7,630
Insurance	539	539	571	1,614	2,243	1,121	6,627
Depreciation	1,442	1,634	1,058	4,038	961	481	9,614
Outreach	1,271	1,455	904	3,644	264	440	7,978
Bad debt expense	-	-	-	2,422	-	-	2,422
Advertising	-	-	-	-	6,368	-	6,368
Training	36	79	385	1,659	-	-	2,159
Travel	2,305	5,128	6,496	2,352	-	-	16,281
Room and board fees	-	9,075	-	-	-	-	9,075
Childcare services	-	6,840	-	-	-	-	6,840
Clothing and medical supplies	-	1,000	-	-	-	-	1,000
Birth mother fees	-	-	10,273	-	-	-	10,273
Miscellaneous	410	2,387	310	690	-	-	3,797
Total expenses included in expenses section on statement of activities	<u>\$ 104,403</u>	<u>\$ 140,346</u>	<u>\$ 89,860</u>	<u>\$ 297,268</u>	<u>\$ 46,006</u>	<u>\$ 35,945</u>	<u>\$ 713,828</u>
Costs of direct benefits to donors - dinner and entertainment							<u>32,925</u>
TOTAL FUNCTIONAL EXPENSES							<u><u>\$ 746,753</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended December 31, 2017

	PROGRAM SERVICES				GENERAL		
	ADOPTION	FOSTER CARE	MATERNITY	FAMILY LIFE	& ADMIN	FUNDRAISING	TOTAL
Salaries and wages	\$ 69,488	\$ 57,521	\$ 54,141	\$ 208,980	\$ 14,987	\$ 25,548	\$ 430,665
Retirement plan contributions	1,453	1,203	1,132	4,369	313	534	9,004
Other employee benefits	7,856	6,503	6,121	23,628	1,694	2,888	48,690
Payroll taxes	4,808	3,980	3,746	14,462	1,037	1,768	29,801
Professional fees	1,450	-	-	-	10,522	-	11,972
Office expenses	2,592	2,146	2,020	7,795	856	1,712	17,121
Occupancy	5,523	4,572	4,303	16,610	1,658	497	33,163
Printing and publications	1,320	1,092	1,028	3,968	436	872	8,716
Insurance	1,457	1,206	1,135	4,383	437	131	8,749
Depreciation	835	691	651	2,511	3,206	120	8,014
Outreach	835	691	650	2,509	251	75	5,011
Bad debt expense	-	-	-	2,894	-	-	2,894
Advertising	-	-	-	-	7,424	-	7,424
Training	229	670	349	1,878	-	-	3,126
Travel	1,816	5,687	3,362	2,004	-	-	12,869
Room and board fees	-	12,773	-	-	-	-	12,773
Childcare services	-	9,285	-	-	-	-	9,285
Clothing and medical supplies	-	3,408	2,585	-	-	-	5,993
Birth mother fees	-	-	9,775	-	-	-	9,775
Miscellaneous	663	2,820	-	1,117	-	-	4,600
Total expenses included in expenses section on statement of activities	<u>\$ 100,325</u>	<u>\$ 114,248</u>	<u>\$ 90,998</u>	<u>\$ 297,108</u>	<u>\$ 42,821</u>	<u>\$ 34,145</u>	<u>\$ 679,645</u>
Costs of direct benefits to donors - dinner and entertainment							<u>36,477</u>
TOTAL FUNCTIONAL EXPENSES							<u><u>\$ 716,122</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and outside agencies	\$ 312,556	\$ 256,449
Cash paid to suppliers and employees	(741,414)	(708,008)
Contributions received	611,966	441,699
Investment income received	<u>15,270</u>	<u>7,963</u>
Net Cash Provided by (Used in) Operating Activities	<u>198,378</u>	<u>(1,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(68,092)
Proceeds from sale of investments	197,746	82,563
Purchase of investments	<u>(208,673)</u>	<u>(86,897)</u>
Net Cash Used in Investing Activities	<u>(10,927)</u>	<u>(72,426)</u>
NET INCREASE (DECREASE) IN CASH	187,451	(74,323)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>171,759</u>	<u>246,082</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 359,210</u></u>	<u><u>\$ 171,759</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 93,870</u>	<u>\$ 43,619</u>
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,614	8,014
Bad debt expense	2,422	2,894
Net realized and unrealized (gain) loss on investments	35,234	(39,615)
(Increase) in accounts receivable	(1,479)	(12,434)
(Increase) decrease in pledges receivable	11,325	(5,211)
(Increase) in prepaid expenses	(958)	(355)
Increase (decrease) in accounts payable	1,298	(3,080)
Increase in deferred revenue	49,746	-
Increase (decrease) in accrued payroll and sick pay	<u>(2,694)</u>	<u>4,271</u>
Total Adjustments	<u>104,508</u>	<u>(45,516)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 198,378</u></u>	<u><u>\$ (1,897)</u></u>

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

CHRISTIAN FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND NATURE OF ACTIVITIES

Christian Family Services, Inc. (the Organization) is a church-related organization committed to providing social services through foster care and adoption placement, as well as counseling services for individuals and families. The Board of Directors is appointed by the Trustees who are Elders of the McKnight Crossings Church of Christ, a Missouri not-for-profit corporation. The Organization was formed in 1973 as a Missouri not-for-profit corporation. The following programs are included in the accompanying financial statements:

Adoption - to prepare adoptive families in all aspects of the adoption journey including family assessments and home studies.

Foster Care - to administer a voluntary program that cares for children in the homes of state licensed Christian foster families until the child's parents are capable of having the child returned to their home.

Maternity - to assist those experiencing an unplanned pregnancy and determining the best options through parenting or creating an adoption plan for their child.

Family Life - to counsel individuals and families experiencing problems with their marriages or parenting their children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Accordingly, it utilizes the accrual method of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net Assets without Donor Restriction - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Net Assets with Donor Restriction - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Contributions, Service Fees and Special Events

Contributions are recorded as increases in net assets without donor restriction, or net assets with donor restriction, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Service fee revenue is recorded in the period in which the service is performed. Special events revenue is recorded when the event takes place.

Tax Exempt Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

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 and disclosures. Actual results could vary from estimates that were used.

Cash and Cash Equivalents

The Organization considers highly liquid investments with a maturity date of three months or less to be cash equivalents. At various times during the year, the Organization's cash balances may have exceeded the federally insured limits. The Organization's cash balances did not exceed federally insured limits at December 31, 2018 and 2017.

Investments

Investments are reported at fair value as of the date of the statement of financial position. Fair values have been determined using quoted market prices. Investment return includes realized and unrealized gains or losses and interest and dividends less management fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of amounts due for counseling and adoption services and are presented in the statements of financial position net of the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Organization's historical collection experience and management's assessment of individual accounts. The allowance for doubtful accounts was \$2,000 at both December 31, 2018 and 2017.

Pledges Receivable

Pledges receivable are expected to be collected within one year. Pledges receivable are presented in the statements of financial position net of an allowance for uncollectible pledges. The allowance for uncollectible pledges is estimated based on the Organization's historical collection experience. Pledges receivable are presented net of an allowance for uncollectible pledges of \$3,000 and \$6,700 at December 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost at the date of acquisition. The Organization capitalizes all purchases that exceed \$5,000. Donated fixed assets are recorded at their estimated fair value on the date received. When depreciable assets are retired, or otherwise disposed of, the cost is removed from the accounts and any resulting gain or loss is recorded. Depreciation expense was \$9,614 and \$8,014 for the years ended December 31, 2018 and 2017, respectively. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	15-40 years
Equipment	3-7 years

Deferred Revenue

The Organization is the recipient of a cost reimbursement grant. Program grant income is recorded as eligible expenses are incurred. Amounts collected in advance of incurring expenses are reflected as deferred revenue.

Functional Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses include salaries, benefits, payroll taxes, office expenses, occupancy, printing, depreciation and outreach. Occupancy and depreciation are allocated based on estimated use of square footage. Other expenses are allocated based on estimates of time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$6,368 and \$7,424 for the years ended December 31, 2018 and 2017, respectively.

New Accounting Pronouncements

During 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restriction and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restriction. A footnote on liquidity has also been added (Note 9). The Organization has adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements.

The accompanying information from the 2017 financial statements has been reclassified to conform to the 2018 presentation and disclosure requirements of ASU 2016-14. The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 647,078	\$ -
Temporarily restricted net assets	79,064	-
Permanently restricted net assets	33,011	-
Net assets without donor restriction	-	647,078
Net assets with donor restriction	-	112,075
Total net assets	<u>\$ 759,153</u>	<u>\$ 759,153</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes have the following effect on the statement of activities for the year ended December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Interest and dividend income	\$ 7,963	\$ -
Net realized and unrealized gain	39,615	-
Investment expenses	(3,630)	-
Investment return, net	-	43,948

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers, as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

In February 2016, FASB issued ASU No. 2016-02, Leases (ASU 2016-02), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020 and requires a modified retrospective approach to adoption. The Organization is currently assessing the impact of this new standard.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 16, 2019, the date the financial statements were available to be issued and determined that there were no subsequent events that required recognition in these financial statements.

3. ENDOWMENT

The Organization's endowment includes both restricted contributions specified by the donor as well as amounts designated to the endowment by the Board of Directors (the Board). Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

3. ENDOWMENT (Continued)

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act 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, the Organization classifies as net assets with donor restriction, the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gifts amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has adopted a policy to not spend from underwater endowments unless directed by the donor.

The investment goal for endowment assets is to increase the value of the holdings over time while providing cash to support the operating needs of the Organization. The Organization has adopted investment 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.

The Organization's current spending policy is one in which the Board will approve the appropriation of current and accumulated earnings on endowment assets to fund operational expenses, with amounts determined annually. No amounts were appropriated from the donor-restricted endowment fund for 2018 and 2017 because other resources were available.

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated funds	\$ 233,460	\$ -	\$ 233,460
Donor-restricted funds			
Original gift amount	-	24,033	24,033
Accumulated gains and other	-	45,667	45,667
Total funds	<u>\$ 233,460</u>	<u>\$ 69,700</u>	<u>\$ 303,160</u>

CHRISTIAN FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

3. ENDOWMENT (Continued)

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated funds	\$ 255,587	\$ -	\$ 255,587
Donor-restricted funds			
Original gift amount	-	24,033	24,033
Accumulated gains and other	-	47,847	47,847
Total funds	<u>\$ 255,587</u>	<u>\$ 71,880</u>	<u>\$ 327,467</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment - beginning of year	\$ 255,587	\$ 71,880	\$ 327,467
Investment return, net	<u>(22,127)</u>	<u>(2,180)</u>	<u>(24,307)</u>
Endowment - end of year	<u>\$ 233,460</u>	<u>\$ 69,700</u>	<u>\$ 303,160</u>

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Endowment - beginning of year	\$ 216,369	\$ 67,150	\$ 283,519
Investment return, net	<u>39,218</u>	<u>4,730</u>	<u>43,948</u>
Endowment - end of year	<u>\$ 255,587</u>	<u>\$ 71,880</u>	<u>\$ 327,467</u>

4. FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. U.S. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Significant unobservable inputs.

4. FAIR VALUE MEASUREMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

The following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2018 and 2017.

Common stock: Valued at the closing quoted price in an active market.

Exchange traded funds (ETF): Valued at the closing quoted price in an active market.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

The following table presents investments carried at fair value in accordance with the valuation hierarchy at December 31, 2018 and 2017:

	Fair Value, Level 1	
	2018	2017
Common stock	\$ 22,776	\$ 43,309
Exchange traded funds (ETF)	85,206	95,261
Mutual funds	188,938	183,531
Total investments at fair value	296,920	322,101
Cash equivalent investments, at cost	6,240	5,366
TOTAL INVESTMENTS	\$ 303,160	\$ 327,467

5. LEASE COMMITMENTS

The Organization currently leases office equipment under an operating lease expiring April 2020. The monthly lease payments are charged to expense as incurred. The scheduled future minimum lease payments due under this lease consist of the following:

2019	\$	6,216
2020		<u>2,072</u>
TOTAL MINIMUM LEASE PAYMENTS	\$	<u>8,288</u>

Rent expense was \$6,216 for each of the years ended December 31, 2018 and 2017.

6. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan for its employees. The plan is a Section 403(b) retirement plan and covers all eligible employees who agree to make tax-deferred contributions to the plan. The Organization matches 50% of each participant's contributions to the plan up to a maximum employee deferral of 10% of compensation. Employees may make additional tax-deferred contributions to the plan up to the maximum allowed by the Internal Revenue Service. The employer contributions to the plan were \$8,843 and \$9,004 for the years ended December 31, 2018 and 2017, respectively.

7. BOARD-DESIGNATED NET ASSETS

Board-designated net assets were \$233,460 and \$255,587 at December 31, 2018 and 2017, respectively. These amounts are held in the endowment and can be used to support the operating needs of the Organization.

CHRISTIAN FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

8. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purpose:		
Timothy fund	<u>\$ 43,728</u>	<u>\$ 40,195</u>
Total Subject to Expenditure for Specified Purpose	<u>43,728</u>	<u>40,195</u>
Donor-Restricted Endowment for Support of the Organization:		
Original gift amount	24,033	24,033
Accumulated gains	<u>45,667</u>	<u>47,847</u>
Total Donor-Restricted Endowment	<u>69,700</u>	<u>71,880</u>
TOTAL NET ASSETS WITH DONOR RESTRICTION	<u>\$ 113,428</u>	<u>\$ 112,075</u>

The Timothy fund is available for foster care and medical expenses. The donor-restricted endowment is included in investments on the statements of financial position. The balance represents restricted net assets which require maintenance of principal and ten percent of income and capital gains but permits use of the remaining ninety percent of income and capital gains. When a restriction is satisfied, net assets with donor restriction are released from restriction.

9. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or long-term investments as board-designated endowments. The board designations could be drawn upon if the board approves that action.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 359,210	\$ 171,759
Accounts receivable, net	15,615	16,558
Pledges receivable, net	16,765	28,090
Investments	<u>303,160</u>	<u>327,467</u>
Financial assets, at year-end	694,750	543,874
Less those unavailable for general expenditure within one year, due to:		
Purpose restriction – Timothy Fund	(43,728)	(40,195)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(69,700)	(71,880)
Investments in board-designated endowments	<u>(233,460)</u>	<u>(255,587)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 347,862</u>	<u>\$ 176,212</u>

12655 Olive Blvd., Suite 200
St. Louis, MO 63141
314.275.7277

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Christian Family Services, Inc.

We have audited the financial statements of Christian Family Services, Inc. as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated August 16, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues and support are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Sikich LLP

St. Louis, Missouri
August 16, 2019

SUPPLEMENTARY INFORMATION

CHRISTIAN FAMILY SERVICES, INC.
SCHEDULES OF REVENUES AND SUPPORT
For the Year Ended December 31, 2018

2018			
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Contributions:			
Individual:			
Regular	\$ 317,221	\$ -	\$ 317,221
Timothy contributions	-	27,740	27,740
Total Individual	317,221	27,740	344,961
Congregations:			
Regular	125,906	-	125,906
Memorials	280	-	280
Timothy contributions	-	578	578
Total Congregations	126,186	578	126,764
Corporate Gifts	15,054	-	15,054
Total Contributions	458,461	28,318	486,779
Service Fees:			
Adoption:			
Home study	22,774	-	22,774
Placement	86,666	-	86,666
Finalization	275	-	275
Applications	3,644	-	3,644
Total Adoption	113,359	-	113,359
Foster Care:			
Foster care fees	2,275	-	2,275
Total Foster Care	2,275	-	2,275

See independent auditor's report on supplementary information.

CHRISTIAN FAMILY SERVICES, INC.
SCHEDULES OF REVENUES AND SUPPORT (Continued)
For the Year Ended December 31, 2018

	2018		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Service Fees (continued):			
Family Life:			
Counseling	\$ 126,689	\$ -	\$ 126,689
Workshops and seminars	1,662	-	1,662
Total Family Life	128,351	-	128,351
Total Service Fees	243,985	-	243,985
Grants	-	20,304	20,304
Special Events - Net:			
Dinner tickets	82,593	-	82,593
Baseball and golf	20,190	-	20,190
Trivia night	11,079	-	11,079
Less: costs of direct benefits to donors	(32,925)	-	(32,925)
Total Special Events - Net	80,937	-	80,937
Other Income (Loss):			
Investment return, net	(22,127)	(2,180)	(24,307)
Total Other Income (Loss)	(22,127)	(2,180)	(24,307)
Net assets released from restrictions	45,089	(45,089)	-
Total Revenues and Support	<u>\$ 806,345</u>	<u>\$ 1,353</u>	<u>\$ 807,698</u>

See independent auditor's report on supplementary information.

CHRISTIAN FAMILY SERVICES, INC.
SCHEDULES OF REVENUES AND SUPPORT (Continued)
For the Year Ended December 31, 2017

2017			
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Contributions:			
Individual:			
Regular	\$ 162,670	\$ -	\$ 162,670
Timothy contributions	<u>-</u>	<u>26,960</u>	<u>26,960</u>
Total Individual	<u>162,670</u>	<u>26,960</u>	<u>189,630</u>
Congregations:			
Regular	122,173	-	122,173
Memorials	400	-	400
Timothy contributions	<u>-</u>	<u>729</u>	<u>729</u>
Total Congregations	<u>122,573</u>	<u>729</u>	<u>123,302</u>
Corporate Gifts	<u>13,455</u>	<u>-</u>	<u>13,455</u>
Total Contributions	<u>298,698</u>	<u>27,689</u>	<u>326,387</u>
Service Fees:			
Adoption:			
Home study	24,900	-	24,900
Placement	110,825	-	110,825
Finalization	400	-	400
Applications	<u>4,210</u>	<u>-</u>	<u>4,210</u>
Total Adoption	<u>140,335</u>	<u>-</u>	<u>140,335</u>
Foster Care:			
Foster care fees	<u>1,625</u>	<u>-</u>	<u>1,625</u>
Total Foster Care	<u>1,625</u>	<u>-</u>	<u>1,625</u>

See independent auditor's report on supplementary information.

CHRISTIAN FAMILY SERVICES, INC.
SCHEDULES OF REVENUES AND SUPPORT (Continued)
For the Year Ended December 31, 2017

	2017		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Service Fees (continued):			
Family Life:			
Counseling	\$ 125,588	\$ -	\$ 125,588
Workshops and seminars	85	-	85
Total Family Life	125,673	-	125,673
Total Service Fees	267,633	-	267,633
Grants	-	1,250	1,250
Special Events - Net:			
Dinner tickets	88,581	-	88,581
Baseball and golf	22,007	-	22,007
Trivia night	9,935	-	9,935
Less: costs of direct benefits to donors	(36,477)	-	(36,477)
Total Special Events - Net	84,046	-	84,046
Other Income:			
Investment return, net	39,218	4,730	43,948
Total Other Income	39,218	4,730	43,948
Net assets released from restrictions	40,695	(40,695)	-
Total Revenues and Support	<u>\$ 730,290</u>	<u>\$ (7,026)</u>	<u>\$ 723,264</u>

See independent auditor's report on supplementary information.