

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

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June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Florence Crittenton Services of Greater Washington

We have audited the accompanying financial statements of Florence Crittenton Services of Greater Washington (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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.

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 auditors consider 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 Florence Crittenton Services of Greater Washington as of June 30, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 17 – 18 are presented for purposes 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.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
April 18, 2019

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 261,120	\$ 480,456
Accounts receivable	191,159	165,285
Contributions and grants receivable	65,000	88,531
Prepaid expenses	<u>15,362</u>	<u>19,366</u>
Total current assets	<u>532,641</u>	<u>753,638</u>
Noncurrent Assets:		
Investments	929,703	1,101,238
Investment income receivable	6,201	7,949
Property and equipment, net	106,683	106,503
Investments held for endowment	<u>42,087</u>	<u>42,087</u>
Total noncurrent assets	<u>1,084,674</u>	<u>1,257,777</u>
Total assets	<u><u>\$ 1,617,315</u></u>	<u><u>\$ 2,011,415</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 17,264	\$ 12,337
Accrued vacation	22,593	17,766
Line of credit payable	<u>-</u>	<u>494,531</u>
Total current liabilities	<u>39,857</u>	<u>524,634</u>
Net Assets:		
Unrestricted	1,513,336	1,383,409
Temporarily restricted	22,035	61,285
Permanently restricted	<u>42,087</u>	<u>42,087</u>
Total net assets	<u>1,577,458</u>	<u>1,486,781</u>
Total liabilities and net assets	<u><u>\$ 1,617,315</u></u>	<u><u>\$ 2,011,415</u></u>

See accompanying notes.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Statement of Activities

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contract income	\$ 763,711	\$ -	\$ -	\$ 763,711
Contributions and grants	362,959	-	-	362,959
Special event	200,680	-	-	200,680
Investment income	79,132	-	-	79,132
Bequests	49,630	-	-	49,630
In-kind contributions	1,204	-	-	1,204
Net assets released from restrictions:				
Expiration of time restrictions	39,250	(39,250)	-	-
Total revenue and support	<u>1,496,566</u>	<u>(39,250)</u>	<u>-</u>	<u>1,457,316</u>
Expenses				
Program services:				
Educational services	993,793	-	-	993,793
Total program services	993,793	-	-	993,793
Supporting services:				
Management and general	81,828	-	-	81,828
Fundraising	291,018	-	-	291,018
Total supporting services	372,846	-	-	372,846
Total expenses	<u>1,366,639</u>	<u>-</u>	<u>-</u>	<u>1,366,639</u>
Changes in Net Assets	129,927	(39,250)	-	90,677
Net Assets, beginning of year	<u>1,383,409</u>	<u>61,285</u>	<u>42,087</u>	<u>1,486,781</u>
Net Assets, end of year	<u>\$ 1,513,336</u>	<u>\$ 22,035</u>	<u>\$ 42,087</u>	<u>\$ 1,577,458</u>

See accompanying notes.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contract income	\$ 835,011	\$ -	\$ -	\$ 835,011
Contributions and grants	111,132	58,250	-	169,382
Special event	200,350	-	-	200,350
Investment income	118,335	-	-	118,335
Bequests	54,398	-	-	54,398
In-kind contributions	1,448	-	-	1,448
Net assets released from restrictions:				
Satisfaction of purpose restrictions	17,000	(17,000)	-	-
Expiration of time restrictions	30,000	(30,000)	-	-
Total revenue and support	<u>1,367,674</u>	<u>11,250</u>	<u>-</u>	<u>1,378,924</u>
Expenses				
Program services:				
Educational services	<u>1,045,255</u>	<u>-</u>	<u>-</u>	<u>1,045,255</u>
Total program services	1,045,255	-	-	1,045,255
Supporting services:				
Management and general	64,364	-	-	64,364
Fundraising	<u>236,425</u>	<u>-</u>	<u>-</u>	<u>236,425</u>
Total supporting services	<u>300,789</u>	<u>-</u>	<u>-</u>	<u>300,789</u>
Total expenses	<u>1,346,044</u>	<u>-</u>	<u>-</u>	<u>1,346,044</u>
Changes in Net Assets	21,630	11,250	-	32,880
Net Assets, beginning of year	<u>1,361,779</u>	<u>50,035</u>	<u>42,087</u>	<u>1,453,901</u>
Net Assets, end of year	<u>\$ 1,383,409</u>	<u>\$ 61,285</u>	<u>\$ 42,087</u>	<u>\$ 1,486,781</u>

See accompanying notes.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 90,677	\$ 32,880
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,800	4,087
Net realized and unrealized gain on investments	(38,759)	(69,855)
Changes in assets and liabilities:		
Accounts receivable	(25,874)	(164,598)
Contributions and grants receivable	23,531	14,375
Prepaid expenses	4,004	(5,804)
Investment income receivable	1,748	1,430
Accounts payable and accrued expenses	4,927	(6,284)
Refundable advance	-	(49,962)
Accrued vacation	4,827	3,641
Net cash provided by (used in) operating activities	<u>69,881</u>	<u>(240,090)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	859,980	552,555
Purchase of investments	(649,686)	(1)
Purchase of property and equipment	<u>(4,980)</u>	<u>(4,225)</u>
Net cash provided by investing activities	<u>205,314</u>	<u>548,329</u>
Cash Flows from Financing Activities		
Payments on line of credit	<u>(494,531)</u>	<u>-</u>
Net cash used in financing activities	<u>(494,531)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(219,336)	308,239
Cash and Cash Equivalents, beginning of year	<u>480,456</u>	<u>172,217</u>
Cash and Cash Equivalents, end of year	<u>\$ 261,120</u>	<u>\$ 480,456</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 13,313</u>	<u>\$ 25,523</u>

See accompanying notes.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

1. Nature of Operations

Florence Crittenton Services of Greater Washington (the Organization) is a not-for-profit organization incorporated in 1895. The Organization provides educational services to groups of teen girls and young women to build self-efficacy skills through its SNEAKERS program, and provides parenting and prenatal education to young mothers through its PEARLS program. The Organization funds its program and supporting services primarily through contracts from non-federal governments, and contributions and grants from individuals, foundations and corporations.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Investments

Investments are measured at fair value and are composed of marketable equity securities, municipal bonds, money market funds, corporate bonds, mutual funds and U.S. government and agency bonds. 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. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Money market funds held in the investment portfolios are included in investments in the accompanying statements of financial position.

Accounts Receivable

Accounts receivable represents amounts due from the Organization's various revenue sources. The balances of accounts receivable at June 30, 2018 and 2017 have been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants Receivable

Contributions and grants receivable include amounts due from the Organization's various contributors and grantors. The entire amount of contributions and grants receivable is expected to be collected within one year and is recorded at net realizable value at June 30, 2018 and 2017, which approximates fair value. Management considers contributions and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment over \$500 with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.
- *Permanently restricted net assets* represent endowment gifts from donors requiring that the principle be invested in perpetuity and that only the income be expended.

Revenue Recognition

Contracts and grants under cost reimbursable federal and non-federal contracts or grants are recognized based upon direct costs incurred plus allowable indirect costs. Contract income from fixed fee contracts with government agencies is recognized over the contract period. Revenue recognized but not received from the granting or contracting agency is included in accounts, contributions and grants receivable in the accompanying statements of financial position. Conversely, revenue received in advance of incurring allowable direct and indirect costs is reported as a refundable advance or deferred revenue in the accompanying statements of financial position.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Unconditional contributions and grants are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted revenue and support are reported as unrestricted revenue and support if the restrictions are met in the same period received. Revenue from all other sources is recognized when earned.

In-Kind Contributions

In-kind contributions represent the estimated fair value of goods and services received. In-kind services are recognized as contributions if the services received create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received \$1,204 and \$1,448 of donated catering services during the years ended June 30, 2018 and 2017, respectively. These have been included in in-kind contributions in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain management and staff expenses have been allocated to program and supporting services on the basis of time spent.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classified its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for annual reporting periods beginning after December 31, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

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 certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

3. Concentrations

The Organization maintains cash deposits with a major bank which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institution and believes that the risk of any loss is minimal.

The Organization invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

3. Concentrations (continued)

The Organization received 43% and 51% of its revenue from one District of Columbia government agency during the years ended June 30, 2018 and 2017, respectively. In addition, the amount due from this agency consisted of 82% and 90% of accounts receivable at June 30, 2018 and 2017, respectively.

4. Investments

Investments, at fair value, consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Marketable equity securities	\$ 467,068	\$ 508,620
Municipal bonds	442,461	568,305
Money market funds	21,685	44,401
Corporate bonds	19,531	-
Mutual funds	19,011	19,560
U.S. government and agency bonds	<u>2,034</u>	<u>2,439</u>
Total investments	<u>\$ 971,790</u>	<u>\$ 1,143,325</u>

Included in the total investments is the investments held for endowment in the amount of \$42,087 at both June 30, 2018 and 2017.

Investment income consists of the following for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 40,373	\$ 48,480
Realized gain	72,440	223,277
Unrealized loss	<u>(33,681)</u>	<u>(153,422)</u>
Total investment income	<u>\$ 79,132</u>	<u>\$ 118,335</u>

5. Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

5. Fair Value Measurements (continued)

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) 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 following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments:

June 30, 2018

	<u>Level 1</u>	<u>Total</u>
Marketable equity securities	\$ 467,068	\$ 467,068
Municipal bonds	442,461	442,461
Money market funds	21,685	21,685
Corporate bonds	19,531	19,531
Mutual funds	19,011	19,011
U.S. government and agency bonds	<u>2,034</u>	<u>2,034</u>
Total investments at fair value	<u>\$ 971,790</u>	<u>\$ 971,790</u>

June 30, 2017

	<u>Level 1</u>	<u>Total</u>
Marketable equity securities	\$ 508,620	\$ 508,620
Municipal bonds	568,305	568,305
Money market funds	44,401	44,401
Mutual funds	19,560	19,560
U.S. government and agency bonds	<u>2,439</u>	<u>2,439</u>
Total investments at fair value	<u>\$ 1,143,325</u>	<u>\$ 1,143,325</u>

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

6. Property and Equipment

The Organization held the following property and equipment at June 30:

	2018	2017
Land and building	\$ 248,385	\$ 248,385
Office furniture and equipment	61,244	61,244
Commercial van	24,793	24,793
Building improvements	23,394	18,414
Total property and equipment	357,816	352,836
Less: accumulated depreciation	(251,133)	(246,333)
Property and equipment, net	<u>\$ 106,638</u>	<u>\$ 106,503</u>

7. Commitments and Contingencies

Operating Lease

The Organization entered into a non-cancelable operating lease agreement for office equipment that commenced in February 2018 and expires in February 2023. The terms of the operating lease require monthly payments of \$804. At June 30, 2018, the minimum future lease payments under the lease are as follows for the years ending June 30:

2019	\$ 9,649
2020	9,649
2021	9,649
2022	9,649
2023	6,433
Total future minimum lease payments	<u>\$ 45,029</u>

Line of Credit

On July 20, 2016, the Organization renewed its line of credit agreement. The principal available to be advanced under the line shall not exceed \$500,000 or 50% of the investment, whichever is less. Interest is accrued at the bank's prime rate plus 1.25%. Payment of outstanding balances is due upon demand. This line of credit was renewed with a credit limit of \$250,000 on October 19, 2017.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

7. Commitments and Contingencies (continued)

Line of Credit (continued)

Collateral is substantially all corporate net assets, and includes investments, furniture and equipment, general intangibles, insurance proceeds, instruments, documents and chattel paper now existing or hereafter acquired. The outstanding line of credit balance at June 30, 2017 was \$494,531. This balance was paid in full during the year ended June 30, 2018, at which time the line of credit account was closed. Interest expense for the years ended June 30, 2018 and 2017 was \$13,313 and \$25,523, respectively.

8. Net Assets

Temporarily Restricted

Temporarily restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
MD SNEAKERS	\$ 17,000	\$ 17,000
Scholarships	5,035	5,035
Time restricted	-	39,250
Total temporarily restricted net assets	<u>\$ 22,035</u>	<u>\$ 61,285</u>

Permanently Restricted – Endowment

The Organization's endowment consists of a gift which is to be maintained in perpetuity. The Board of Directors of the Organization has interpreted Maryland's Uniform Prudent Management of Investment Funds Act (UPMIFA) as requiring the preservation of fair value of the original gift as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Organization and the Organization's investment policy

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

8. Net Assets (continued)

Permanently Restricted – Endowment (continued)

At June 30, 2018 and 2017, permanently restricted net assets consist of an endowment fund with a fair market valuation in the amount of \$42,087 to be held in perpetuity. Investment income including investment appreciation or depreciation has been allocated to unrestricted net assets in accordance with ASC Topic 958, due to the absence of donor explicit stipulation to the contrary.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

The Organization utilizes a total return strategy in which investment returns are achieved through a combination of capital appreciation and current income through dividends and interest. The Organization targets a diversified asset allocation with a 60 – 40 split between equities and bonds creating an optimal risk-reward balance.

Spending Policy

The Organization's board of directors approves endowment spending as part of its annual budget review. As part of the budget process, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to keep the principal intact. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

9. Distributions from Trusts

The Organization is a beneficiary of two separate trusts. A trust created in 1925 under the will of George Peebles Lumsden allows for periodic distributions to several beneficiaries for the duration of the trust. Distributions to the Organization for the years ended June 30, 2018 and 2017 were \$4,074 and \$3,842, respectively.

A trust created in 1976 under the will of William R. Winslow, includes the Organization as one of five beneficiaries receiving distributions. Distributions to the Organization for the years ended June 30, 2018 and 2017 was \$45,556 and \$50,556, respectively. Distributions from these trusts are included in bequests in the accompanying statements of activities.

The value of these bequests is not determinable, and accordingly, no assets were recognized for them by the Organization.

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Notes to Financial Statements

June 30, 2018 and 2017

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the years ended June 30, 2018 and 2017, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions for the years ended June 30, 2018 and 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At June 30, 2018, the statute of limitations for tax years ended June 30, 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

11. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 18, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements

SUPPLEMENTARY INFORMATION

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Schedule of Functional Expenses

Year Ended June 30, 2018

	Program Services		Supporting Services		Total
	Educational Services	Management and General	Fundraising		
Salaries	\$ 405,181	\$ 35,902	\$ 143,988	\$ 585,071	
Consultants	254,107	2,394	43,328	299,829	
Student activities	120,612	34	64	120,710	
Professional fees	54,665	14,106	16,675	85,446	
Employee benefits	37,611	3,321	13,862	54,794	
Payroll taxes	35,868	3,184	12,768	51,820	
Conferences and events	2,280	163	29,917	32,360	
Telecommunications	10,801	834	2,622	14,257	
Interest expense	8,733	857	3,723	13,313	
Insurance	6,168	3,353	1,633	11,154	
Equipment maintenance and repairs	7,487	645	2,550	10,682	
Building and maintenance repairs	6,870	557	2,733	10,160	
Utilities	6,281	535	2,229	9,045	
Office expenses	5,894	916	2,215	9,025	
Travel and meals	3,817	2,114	2,909	8,840	
Payroll expenses	5,025	1,772	1,787	8,584	
Investment fees	-	6,544	-	6,544	
Website	3,012	258	2,289	5,559	
Printing and reproduction	3,641	303	1,453	5,397	
Equipment lease	3,561	301	1,294	5,156	
Depreciation expense	3,237	317	1,246	4,800	
Automobile and van expense	3,904	119	483	4,506	
Dues and subscriptions	2,107	188	629	2,924	
Bank and credit card fees	-	2,432	-	2,432	
Postage and delivery	1,149	106	353	1,608	
License and permits	211	506	85	802	
Other expenses	1,571	67	183	1,821	
Total Expenses	\$ 993,793	\$ 81,828	\$ 291,018	\$ 1,366,639	

FLORENCE CRITTENTON SERVICES OF GREATER WASHINGTON

Schedule of Functional Expenses

Year Ended June 30, 2017

	Program	Supporting Services		Total
	Services	Management and General	Fundraising	
	Educational Services			
Salaries	\$ 434,849	\$ 29,112	\$ 85,247	\$ 549,208
Consultants	242,235	44	81,690	323,969
Student activities	150,967	9	132	151,108
Professional fees	27,604	11,163	3,349	42,116
Employee benefits	39,750	2,694	7,853	50,297
Payroll taxes	39,161	2,612	7,733	49,506
Conferences and events	15,404	9	31,679	47,092
Telecommunications	12,395	583	1,625	14,603
Interest expense	20,232	1,371	3,920	25,523
Insurance	9,541	3,147	1,368	14,056
Equipment maintenance and repairs	1,654	122	284	2,060
Building and maintenance repairs	4,065	277	831	5,173
Utilities	6,399	434	1,232	8,065
Office expenses	6,820	331	1,223	8,374
Travel and meals	4,439	1,011	1,191	6,641
Investment fees	-	9,244	-	9,244
Payroll expenses	5,571	371	1,064	7,006
Website	2,697	184	664	3,545
Printing and reproduction	5,590	317	1,219	7,126
Equipment lease	2,386	163	466	3,015
Depreciation expense	3,151	226	710	4,087
Automobile and van expense	4,319	124	359	4,802
Dues and subscriptions	2,051	117	643	2,811
Bank and credit card fees	1,402	126	1,683	3,211
Postage and delivery	536	29	102	667
License and permits	122	470	16	608
Other expenses	1,915	74	142	2,131
Total Expenses	\$ 1,045,255	\$ 64,364	\$ 236,425	\$ 1,346,044