Metropolitan Family Services
Audited Financial Statements
June 30, 2018

Contents

RSM

Independent Auditor's Report

RSM US LLP

To the Board of Directors
Metropolitan Family Services

Report on the Financial Statements
We have audited the accompanying financial statements of Metropolitan Family Services (the Agency), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Family Services 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.

RSM US LLP

Chicago, Illinois
October 18, 2018

Metropolitan Family Services

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	**$ 153,574**	$ 2,856,056
Receivables (net of allowance):		
Government grants	**10,568,568**	7,426,828
Fund raising pledges	**3,436,997**	4,169,280
Other	**120,400**	138,002
Prepaid expenses	**1,516,035**	1,029,487
Investments	**42,679,474**	41,546,600
Property and equipment, net	**16,541,762**	17,037,541
Beneficial interest in irrevocable perpetual trusts	**16,914,707**	16,564,087
Total assets	**$ 91,931,517**	$ 90,767,881
Liabilities		
Accounts payable and accrued expenses	**$ 5,837,760**	$ 2,981,416
Deferred revenue	**764,157**	1,161,465
Line of credit	**3,645,728**	4,675,000
Funds held in custody for others	**19,670**	20,049
Notes payable	**872,577**	930,618
Interest rate swap	**2,698,404**	3,566,428
Bonds payable	**12,700,000**	12,700,000
Accrued pension expense	**5,741,135**	7,103,887
Total liabilities	**32,279,431**	33,138,863
Net assets (deficit):		
Unrestricted	**11,871,052**	(9,021,575)
Temporarily restricted	**25,299,836**	44,520,015
Permanently restricted	**22,481,198**	22,130,578
Total net assets	**59,652,086**	57,629,018
Total liabilities and net assets	**$ 91,931,517**	$ 90,767,881

See notes to financial statements.

Metropolitan Family Services

Statement of Activities
Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total Agency**
Operating:				
Public support:				
MFS Annual Campaign and the Campaign to M-Power Families	$ 10,054,535	$ 4,138,568	$ -	$ 14,193,103
United Way of Metropolitan Chicago	1,795,220	221,062	-	2,016,282
Government grants	35,046,246	-	-	35,046,246
In-kind contributions	1,862,535	-	-	1,862,535
Total public support	48,758,536	4,359,630	-	53,118,166
Revenue:				
Program service fees	9,053,781	-	-	9,053,781
Payout for operations	679,990	653,324	-	1,333,314
Income allocations from trusts	812,550	-	-	812,550
Rent and other income	343,964	-	-	343,964
Net assets released from restrictions	5,981,440	(5,981,440)	-	-
Total revenue	16,871,725	(5,328,116)	-	11,543,609
Total public support and revenue	65,630,261	(968,486)	-	64,661,775
Expenses:				
Program	54,951,540	-	-	54,951,540
Management and general	6,958,354	-	-	6,958,354
Fund raising	2,171,401	-	-	2,171,401
In-kind contributions	1,862,535	-	-	1,862,535
Total expenses before depreciation and amortization and net periodic benefit income	65,943,830	-	-	65,943,830
Operating surplus (deficit)	(313,569)	(968,486)	-	(1,282,055)
Other changes from operating activities:				
Depreciation and amortization	(561,380)	-	-	(561,380)
Net periodic benefit income not included in operating expenses	382,577	-	-	382,577
Change in net assets from operating activities	(492,372)	(968,486)	-	(1,460,858)
Nonoperating revenue:				
Public support and revenue:				
Bequests	153,488	-	-	153,488
Net assets released from restrictions	18,806,187	(18,806,187)	-	-
Net investment gains	577,127	554,494	350,620	1,482,241
Pension related changes other than net periodic pension cost	980,173	-	-	980,173
Change in market value of interest rate swap	868,024	-	-	868,024
Change in net assets from nonoperating activities	21,384,999	(18,251,693)	350,620	3,483,926
Increase (decrease) in net assets	20,892,627	(19,220,179)	350,620	2,023,068
Net assets (deficit):				
Beginning of year	(9,021,575)	44,520,015	22,130,578	57,629,018
End of year	$ 11,871,052	$ 25,299,836	$ 22,481,198	$ 59,652,086

See notes to financial statements.

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total Agency
$ 7,003,331	$ 4,906,235	$ -	$ 11,909,566
1,825,129	80,310	-	1,905,439
29,500,371	-	-	29,500,371
2,536,912	-	-	2,536,912
40,865,743	4,986,545	-	45,852,288
8,316,296	-	-	8,316,296
1,317,506	-	-	1,317,506
772,953	-	-	772,953
381,912	-	-	381,912
2,435,588	(2,435,588)	-	-
13,224,255	(2,435,588)	-	10,788,667
54,089,998	2,550,957	-	56,640,955
44,143,743	-	-	44,143,743
5,534,633	-	-	5,534,633
1,663,991	-	-	1,663,991
2,536,912	-	-	2,536,912
53,879,279	-	-	53,879,279
210,719	2,550,957	-	2,761,676
(600,325)	-	-	(600,325)
94,371	-	-	94,371
(295,235)	2,550,957	-	2,255,722
-	-	-	-
-	-	-	-
-	3,571,533	1,137,032	4,708,565
1,934,266	-	-	1,934,266
1,282,335	-	-	1,282,335
3,216,601	3,571,533	1,137,032	7,925,166
2,921,366	6,122,490	1,137,032	10,180,888
(11,942,941)	38,397,525	20,993,546	47,448,130
$ (9,021,575)	$ 44,520,015	$ 22,130,578	$ 57,629,018

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2018

	Programs				
	Education	Emotional Wellness	Economic Stability	Empowerment	Total Program
Salaries	$ 10,965,750	$ 12,034,585	$ 4,796,036	$ 1,551,422	$ 29,347,793
Payroll taxes and benefits	2,301,738	2,568,946	1,037,981	328,373	6,237,038
Professional fees	1,637,188	1,599,297	609,640	6,117,830	9,963,955
Financial assistance	55,310	258,364	93,065	142,683	549,422
Occupancy	1,288,560	1,398,182	501,688	271,738	3,460,168
Equipment rental and maintenance	170,729	259,189	32,088	21,553	483,559
Other program expenses	2,256,033	844,050	713,773	122,736	3,936,592
Telephone	290,704	428,286	189,956	64,067	973,013
	18,966,012	19,390,899	7,974,227	8,620,402	54,951,540
Depreciation and amortization allocation	186,953	150,561	78,831	75,416	491,761
Net periodic benefit income not included in operating expenses	(149,205)	(110,947)	(49,735)	(15,303)	(325,190)
	$ 19,003,760	$ 19,430,513	$ 8,003,323	$ 8,680,515	$ 55,118,111

See notes to financial statements.

Support Services				
Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2018 Total Agency
$ 3,750,835	$ 1,092,239	$ 4,843,074	$ -	$ 34,190,867
810,968	237,055	1,048,023	-	7,285,061
999,946	81,925	1,081,871	1,836,760	12,882,586
600	20,600	21,200	10,455	581,077
365,420	624,131	989,551	-	4,449,719
489,420	9,882	499,302	-	982,861
413,467	68,819	482,286	15,320	4,434,198
127,698	36,750	164,448	-	1,137,461
6,958,354	2,171,401	9,129,755	1,862,535	65,943,830
55,810	13,809	69,619	-	561,380
(42,084)	(15,303)	(57,387)	-	(382,577)
$ 6,972,080	$ 2,169,907	$ 9,141,987	$ 1,862,535	$ 66,122,633

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2017

	Programs				
	Education	**Emotional Wellness**	**Economic Stability**	**Empowerment**	**Total Program**
Salaries	$ 10,387,406	$ 10,128,005	$ 4,239,088	$ 1,043,610	$ 25,798,109
Payroll taxes and benefits	2,412,169	2,409,006	990,149	245,904	6,057,228
Professional fees	2,370,585	709,217	545,309	142,069	3,767,180
Financial assistance	56,776	148,702	88,350	25,690	319,518
Occupancy	1,324,483	1,359,509	454,508	177,481	3,315,981
Equipment rental and maintenance	78,613	431,476	48,362	25,221	583,672
Other program expenses	2,026,105	654,409	526,899	41,901	3,249,314
Telephone	351,628	454,223	188,581	58,309	1,052,741
	19,007,765	16,294,547	7,081,246	1,760,185	44,143,743
Depreciation and amortization allocation	238,878	172,518	90,886	21,776	524,058
Net periodic benefit income not included in operating expenses	(36,805)	(27,368)	(12,268)	(3,775)	(80,216)
	$ 19,209,838	$ 16,439,697	$ 7,159,864	$ 1,778,186	$ 44,587,585

See notes to financial statements.

Support Services				
Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2017 Total Agency
$ 3,053,219	$ 968,622	$ 4,021,841	$ -	$ 29,819,950
636,235	232,747	868,982	-	6,926,210
1,128,263	77,656	1,205,919	2,535,422	7,508,521
1,020	20,566	21,586	-	341,104
293,060	225,006	518,066	-	3,834,047
8,077	3,909	11,986	-	595,658
296,333	94,349	390,682	1,490	3,641,486
118,426	41,136	159,562	-	1,212,303
5,534,633	1,663,991	7,198,624	2,536,912	53,879,279
59,776	16,491	76,267	-	600,325
(10,380)	(3,775)	(14,155)	-	(94,371)
$ 5,584,029	$ 1,676,707	$ 7,260,736	$ 2,536,912	$ 54,385,233

Metropolitan Family Services

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 2,023,068**	$ 10,180,888
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in market value of interest rate swap	**(868,024)**	(1,282,335)
Change in market value beneficial interest in perpetual trusts	**(350,620)**	(1,137,032)
Depreciation and amortization	**561,380**	600,325
Net realized gain on investments	**(91,892)**	(58,967)
Net unrealized gain on investments	**(1,588,584)**	(4,401,478)
Changes in operating assets and liabilities:		
Receivables	**(2,391,855)**	2,519,909
Prepaid expenses	**(506,584)**	(287,281)
Accounts payable, accrued expenses and other	**1,493,592**	(2,853,471)
Deferred revenue	**(397,308)**	941,331
Funds held in custody for others	**(379)**	2,805
Net cash (used in) provided by operating activities	**(2,117,206)**	4,224,694
Cash flows from investing activities:		
Proceeds from the sale of investments	**6,783,884**	5,839,273
Purchases of investments	**(6,236,282)**	(4,950,361)
Additions to property and equipment, net	**(45,565)**	(19,038)
Net cash provided by investing activities	**502,037**	869,874
Cash flows from financing activities:		
Net repayments of line of credit	**(1,029,272)**	(2,300,000)
Payments on notes payable	**(58,041)**	(57,651)
Net cash used in financing activities	**(1,087,313)**	(2,357,651)
(Decrease) increase in cash	**(2,702,482)**	2,736,917
Cash at beginning of year	**2,856,056**	119,139
Cash at end of year	**$ 153,574**	$ 2,856,056
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 747,014**	$ 760,973

See notes to financial statements.

Note 1. Nature of Activities

Metropolitan Family Services (the Agency), a not-for-profit Illinois corporation, is a nonsectarian human services agency located in metropolitan Chicago, Illinois. The Agency was organized to provide a wide range of programs and services to strengthen low and moderate-income individuals, families and communities. The Agency is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Agency's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to nonprofit organizations.

Accounting standards: The Agency follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the FASB *Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

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.

Revenue recognition: The majority of funding for the Agency's activities is provided by governmental agencies. The Agency recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized when the related grant expenditure has been incurred.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash: It is usual and customary for the Agency to have cash on deposit in multiple financial institutions exceeding the federally insured limits. Management does not believe there is a risk of loss associated with these accounts.

Investments: At June 30, 2018 and 2017, all investments, including the invested assets of the irrevocable perpetual trusts, are carried at fair value. Realized gains and losses are determined based on the average cost method. Changes in fair value are recorded as unrealized gains (losses).

The Agency invests in a professionally managed portfolio of mutual funds and alternative investments. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Receivables: The Agency has outstanding receivables from various government grants and from fund raising pledges. Management recorded an allowance for doubtful accounts totaling $860,622 and $385,622 at June 30, 2018 and 2017, respectively, based on specific identification of uncollectible accounts and historical collection experience.

Note 2. Summary of Significant Accounting Policies (Continued)

Beneficial interest in irrevocable perpetual trusts: The Agency is an income beneficiary of certain irrevocable perpetual trusts established by donors and administered by certain third-party agencies. Income allocations from such trusts have no restriction on their use and are recognized as revenue when received from the third-party agencies. The Agency's beneficial interest in the assets of irrevocable perpetual trusts is carried at fair value in its statement of financial position based on the fair value of the underlying trust assets.

Property and equipment: Property and equipment are carried at cost, except donated assets which are recorded at fair value at date of donation. All purchases in excess of $5,000 are capitalized, while lesser amounts are charged to expense. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or terms of the related leases (40 years for buildings, 5 years for furniture and equipment and 2-7 years for leasehold improvements).

Deferred revenue: The Agency recognizes grants as revenue when related expenses are incurred. Amounts received in advance are recorded as deferred revenue.

Derivative financial instruments: The Agency has an interest rate swap agreement with the objective of minimizing the variability of cash flows. This derivative financial instrument is recognized as either an asset or liability at fair value in the statement of financial position (interest rate swap) with the changes in the fair value reported on the statement of activities (change in market value of interest rate swap). For the years ended June 30, 2018 and 2017, the Agency recognized a gain of $868,024 and a gain of $1,282,335, respectively, for changes in the fair value of the instrument.

Unrestricted net assets: Unrestricted net assets are resources whose use has no limitations imposed by outside donors.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by the Agency or the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose for which the contributions were restricted is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Agency reports the support as unrestricted. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in unrestricted net assets.

Permanently restricted net assets: Net assets for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is the Agency's interest in perpetual trusts.

Contributions: Unconditional promises of others to give cash and other assets to the Agency are recorded at fair value at the date the promise is made and reported as increases in either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the contributions.

In-kind contributions: The Agency received contributions of goods and services from outside corporations, including advertising, consulting services and various goods, in the amount of $1,862,535 and $2,536,912 during the years ended June 30, 2018 and 2017, respectively. These amounts are recorded as revenues and expenses in the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

The Agency files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Recent accounting pronouncements: In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Agency's 2019 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*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for the Agency's 2020 financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for the Agency's June 30, 2020 financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* ASU 2017-07 requires changes to how the Agency reports the components of net periodic pension and postretirement costs. The new standard is effective for the Agency's 2020 financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Agency's 2021 financial statements.

The Agency is currently evaluating the impact of the adoption of these standards on its financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosure through October 18, 2018, the date the financial statements were available to be issued.

Note 3. Fund Raising Pledges Receivable

Pledges receivable are anticipated to be collected as follows at June 30, 2018 and 2017:

	2018	2017
Less than 1 year	$ 385,840	$ 660,855
1 to 5 years	3,123,688	3,567,353
	3,509,528	4,228,208
Less present value discount	(72,531)	(58,928)
	$ 3,436,997	$ 4,169,280

Pledges are discounted at 0.5 percent above the 5-year treasury rate, totaling 2.73 percent at June 30, 2018.

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts

The Agency's investments at June 30, 2018 and 2017 are as follows:

	2018	2017
Cash and other	$ 1,877,954	$ 1,432,952
Equity securities	22,908,610	22,640,703
Fixed income securities	8,286,053	9,325,919
Alternative investments	9,606,857	8,147,026
	$ 42,679,474	$ 41,546,600

The Agency is also a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that the Agency, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions, principally in marketable equity securities and bonds and notes.

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts (Continued)

Total return on investments and beneficial interests during 2018 and 2017 is summarized as follows:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ 574,428	$ 551,901	$ -	$ 1,126,329
Investment expense	(174,354)	(167,516)	-	(341,870)
Net realized gain	46,865	45,027	-	91,892
Net unrealized gain	810,178	778,406	350,620	1,939,204
Total return on investments	$ 1,257,117	$ 1,207,818	$ 350,620	$ 2,815,555
As reflected on statement of activities:				
Investment return designated for:				
Payout for operations	$ 679,990	$ 653,324	$ -	$ 1,333,314
Undesignated investment return	577,127	554,494	350,620	1,482,241
Total	$ 1,257,117	$ 1,207,818	$ 350,620	$ 2,815,555
Income allocations from trusts	$ 812,550	$ -	$ -	$ 812,550

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ -	$ 727,015	$ -	$ 727,015
Investment expense	-	(298,421)	-	(298,421)
Net realized gain	-	58,967	-	58,967
Net unrealized gain	-	4,401,478	1,137,032	5,538,510
Total return on investments	$ -	$ 4,889,039	$ 1,137,032	$ 6,026,071
As reflected on statement of activities:				
Investment return designated for:				
Payout for operations	$ -	$ 1,317,506	$ -	$ 1,317,506
Undesignated investment gain	-	3,571,533	1,137,032	4,708,565
Total	$ -	$ 4,889,039	$ 1,137,032	$ 6,026,071
Income allocations from trusts	$ 772,953	$ -	$ -	$ 772,953

Permanently restricted investment return amounts above consist of appreciation in the value of beneficial interests in irrevocable perpetual trusts.

Unrestricted return on investments for 2018 reflects return on certain investments which were appropriated from the endowment (Note 10) and reclassified from temporarily restricted net assets to unrestricted net assets at the beginning of fiscal year 2018.

Note 5. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as 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. In determining fair value, the Agency uses various methods including market, income and cost approaches and sets out a fair value hierarchy. Based on these approaches, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Topic are described below:

> Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
>
> Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
>
> Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and funds of hedge funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

For the fiscal years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. There were unfunded commitments in the amount of $4,145,442 and $750,000 at June 30, 2018 and 2017, respectively. The following is a description of the valuation methodologies used for instruments measured at fair value:

Note 5. Fair Value Disclosures (Continued)

Investment Securities
The fair value of publicly traded equity and fixed income securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in certain hedge funds and real estate funds are valued at fair value based on the applicable percentage ownership of the underlying companies' net assets as of the measurement date, as determined by the fund manager. In determining fair value, the fund manager utilizes valuations provided by the underlying investment companies. The underlying investment companies value securities and other financial instruments on a fair value basis of accounting. The fair value of the Agency's investments in private investment companies generally represents the amount the Agency would expect to receive if it were to liquidate its investment in the companies excluding any redemption charges that may apply. These investments are measured using the net asset value as the practical expedient.

Beneficial Interest in Perpetual Trusts
The fair value of the Agency's beneficial interest in perpetual trusts were provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. The valuations include certain unobservable inputs and are, therefore, classified as Level 3 in the fair value hierarchy.

Interest Rate Swap
The valuation of this instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and used observable market-based inputs, including the SIFMA index. The fair value estimate is classified as Level 2.

Note 5. Fair Value Disclosures (Continued)

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017:

2018	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 11,624,341	$ 11,624,341	$ -	$ -	$ -
Non-U.S. equities	11,284,269	11,284,269	-	-	-
Fixed income securities:	-				
U.S. fixed income	5,300,259	5,300,259	-	-	-
Non-U.S. fixed income	2,985,794	2,985,794	-	-	-
Alternative investments:	-				
Hedge fund of funds (b)	6,540,884	-	-	-	6,540,884
Real estate fund (c)	3,065,973	-	-	-	3,065,973
Beneficial interest in perpetual trusts (d)	16,914,707	-	-	16,914,707	-
	57,716,227	$ 31,194,663	$ -	$ 16,914,707	$ 9,606,857
Cash and other	1,877,954				
	$ 59,594,181				
Liability:					
Interest-rate swap	$ 2,698,404	$ -	$ 2,698,404	$ -	$ -

2017	Total	Level 1	Level 2	Level 3	Valued Using Net Asset Value (a)
Assets:					
Equity securities:					
U.S. equities	$ 11,505,708	$ 11,505,708	$ -	$ -	$ -
Non-U.S. equities	11,134,995	11,134,995	-	-	-
Fixed income securities:	-				
U.S. fixed income	5,717,172	5,717,172	-	-	-
Non-U.S. fixed income	3,608,747	3,608,747	-	-	-
Alternative investments:	-				
Hedge fund of funds (b)	6,917,363	-	-	-	6,917,363
Real estate fund (c)	1,229,663	-	-	-	1,229,663
Beneficial interest in perpetual trusts (d)	16,564,087	-	-	16,564,087	-
	56,677,735	$ 31,966,622	$ -	$ 16,564,087	$ 8,147,026
Cash and other	1,432,952				
	$ 58,110,687				
Liability:					
Interest-rate swap	$ 3,566,428	$ -	$ 3,566,428	$ -	$ -

Note 5. Fair Value Disclosures (Continued)

(a) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(b) This category includes investments in hedge funds that invest primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments to meet growth strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. There are no unfunded commitments related to these investments at June 30, 2018 or 2017. The redemption frequency for these funds is quarterly.

(c) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Agency's ownership interest. There are $4,145,442 and $750,000 of unfunded commitments related to these investments at June 30, 2018 and 2017. The redemption frequency for these funds is quarterly.

(d) This category includes underlying investments in equities, fixed income securities, real estate funds and hedge funds. The fair value of these investments is based on quoted market prices provided by recognized broker-dealers.

The Agency assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Agency's accounting policy regarding the recognition of transfers between levels of the fair vale hierarchy. There were no transfers between Levels 1, 2, or 3 during the years ended June 30, 2018 and 2017.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows as of June 30, 2018:

	2018	2017
	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Perpetual Trusts
Balance, beginning of year	$ 16,564,087	$ 15,427,055
Net unrealized gain	350,620	1,137,032
Balance, end of year	$ 16,914,707	$ 16,564,087

Net unrealized gain included in the statements of activities attributable to Level 3 assets relate to beneficial interest assets still held at June 30, 2018.

Note 6. Property and Equipment

Property and equipment are as follows at June 30, 2018 and 2017:

	2018	2017
Land	$ 2,791,623	$ 2,791,623
Buildings and improvements	22,530,573	22,530,572
Leasehold improvements	1,706,686	1,706,686
Furniture and equipment	8,477,491	8,431,927
	35,506,373	35,460,808
Less: accumulated depreciation	18,964,611	18,423,267
	$ 16,541,762	$ 17,037,541

Depreciation expense totaled $541,344 and $580,288 for 2018 and 2017, respectively.

Note 7. Short-Term Debt

The Agency has two available revolving credit lines in the amount of $6,500,000, for operating working capital which expires September 6, 2019 and in the amount of $2,000,000 for capital campaign projects which expires September 22, 2021. Interest is accrued monthly on both facilities at either the prime rate or the LIBOR rate plus 115 basis points. The weighted average interest rate for fiscal years 2018 and 2017 was 3.18 percent and 2.19 percent, respectively. The covenants of the revolving credit lines are substantially the same as those of the Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Note 9). The balance outstanding on the lines of credit was $1,145,728 at June 30, 2018 and $2,175,000 at June 30, 2017.

Additionally, the Agency has secured working capital in the amount of $2,500,000 under a long-term unsecured investment bond. This facility was put in place on September 16, 2016. The five-year term and interest is charged at a rate of one-tenth of one percent per annum. The balance outstanding on this agreement was $2,500,000 as of June 30, 2018 and 2017.

The total balance of short-term debt outstanding was $3,645,728 at June 30, 2018 and $4,675,000 at June 30, 2017.

Note 8. Long-Term Debt

Long-term debt is summarized as follows at June 30, 2018 and 2017:

	2018	2017
Notes payable:		
Term loan due September 12, 2019	$ 57,500	$ 107,500
Purchase money note and bank financing, due November 30, 2021	800,000	800,000
Promissory note due March 1, 2020	15,077	23,118
	$ 872,577	$ 930,618
Bonds payable:		
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds, Series 1999, maturing in the aggregate principal amount on January 1, 2029.	$ 12,700,000	$ 12,700,000

Term Loan
In 2010, the Agency renegotiated a term loan for the North Children's Center due September 12, 2019. Interest is accrued at either the prime rate, the LIBOR rate plus 125 basis points, or the Bank Offered rate. At June 30, 2018, the loan had an interest rate of 3.35 percent and is payable in equal quarterly installments of principal ($12,500) plus interest.

Purchase Money Note and Bank Financing
During 1992, the Agency acquired by means of assignment, a 100 percent beneficial interest in a certain land trust representing certain property previously leased by the Agency from the seller in exchange for a limited guaranty. This beneficial interest is included within property and equipment. The Agency renewed this agreement in December 2006. Under this agreement, the Agency is required to make scheduled monthly interest payments which are $6,667 through November 30, 2021.

In connection with the guaranty and pursuant to the terms of the purchase agreement, the Agency agreed to reimburse and indemnify the seller and provide for timely monthly debt service in connection with existing $400,000 bank financing and certain other costs associated with the property and delivered to the seller a $400,000 purchase money note due November 30, 2021. The bank financing and purchase money note are secured by a first and second mortgage and collateral assignment of the beneficial interest, respectively.

Prior to November 30, 2018, the seller may exercise its option to repurchase the property for an amount based on the related option agreement, resulting principally in the release of the Agency from substantially all liability under the bank financing and purchase money note. If the seller's repurchase option is not exercised prior to November 30, 2018, the Agency may exercise its option to cause the seller to repurchase the property for the amount based on the related option agreement.

Promissory Note
In 2003, the Agency borrowed $95,000 from IFF, an Illinois community development finance institution, as part of the financing arranged by the City of Chicago for a new childcare center. The loan is in the form of a promissory note which bears interest at 5 percent and is payable in monthly installments in amounts up to $749, through March 1, 2020.

Note 8. Long-Term Debt (Continued)

Illinois Development Finance Authority Variable Rate Demand Revenue Bonds
In March 1999, the Illinois Development Finance Authority (Authority) on behalf of the Agency issued its Variable Rate Demand Revenue Bonds, Series 1999, in the principal amount of $12,700,000 pursuant to an Indenture of Trust dated as of March 1, 1999, between the Authority and the Trustee. The proceeds of the Series 1999 bonds were used to finance all or a portion of the cost of acquisition, construction, renovation, expansion, restoration, and equipping of certain facilities of the Agency and to reimburse the Agency for certain capital projects, provide a portion of the interest on the bonds, and pay certain expenses incurred in connection with the Issuance of the bonds. All other proceeds will be invested by the Trustee as provided in the Indenture.

The Series 1999 Bonds bear interest at a variable interest rate determined on a monthly basis. Interest rates ranged from 1.74 to 2.33 percent during 2018 and 1.32 to 1.70 percent during 2017 and was determined on a monthly basis. The Series 1999 Bonds are convertible at the option of the Agency to another variable rate mechanism, as provided in the Indenture of Trust, dated March 1, 1999.

The terms of the long-term debt agreement require, among other things, the maintenance of specific financial ratios and place limitations on additional indebtedness and pledging of assets.

On June 1, 2012, the Agency entered into a re-financing arrangement with a bank in which the bank became the sole holder of the bonds for a period of seven years. This arrangement eliminated the need for a letter of credit and required issuance costs in the amount of $79,500. The bank will maintain this position until June 1, 2019, during which time the bond issuance costs will be amortized. All of the terms, conditions, and covenants previously in effect remain unchanged.

The Agency has an interest rate swap agreement (swap agreement) with a bank for a non-amortizing notional amount of $12,700,000 with an objective to minimize the variability of cash flows. Under the terms of the swap agreement, the Agency receives monthly payments based upon a variable rate of interest and makes monthly payments based upon a fixed rate of 3.94 percent through November 1, 2015 and 4.295 percent thereafter through January 1, 2029. The variable rate of interest is based on the USD-LIBOR-BBA (1.98 percent and 1.05 percent at June 30, 2018 and 2017, respectively). Although the derivative is an interest rate hedge, the Agency has chosen not to account for the derivatives as “cash-flow” hedge instruments, as defined by accounting principles generally accepted in the United States of America, and therefore, the gain or loss on the derivative is recognized in the statement of activities as a component of nonoperating revenue (expense) in the period of change.

Net interest paid or received under the swap agreement is included in interest expense. The net differential paid by the Agency as a result of the swap agreement amounted to $408,216 and $484,239 for the years ended June 30, 2018 and 2017, respectively. The change in fair value of the swap agreement was an unrealized gain of $868,024 and $1,282,335 in 2018 and 2017, respectively.

At June 30, 2018 and 2017, the Agency’s total long-term debt outstanding was $13,572,577 and $13,630,618, respectively. The fair value of the interest rate swap agreement, reflected as a liability on the statement of financial position, was $2,698,404 and $3,566,428 at June 30, 2018 and 2017, respectively.

Note 8. Long-Term Debt (Continued)

Interest expense is reported within the financial statements as follows:

	2018	2017
Operating:		
Other program expenses	$ 747,014	$ 760,973
Nonoperating:		
Change in fair value of interest rate swap	(868,024)	(1,282,335)
	$ (121,010)	$ (521,362)

Note 9. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Endowment	$ 17,728,416	$ 35,980,109
Community services	7,517,109	8,487,359
Financial assistance	54,311	52,547
	$ 25,299,836	$ 44,520,015

During 2017, management determined that certain endowment funds totaling $18,806,187 at June 30, 2017 and classified as temporarily restricted net assets no longer had any current or unexpired restrictions. On October 17, 2017, the Agency's Board of Directors took formal action to appropriate these funds. The appropriation resulted in a release from restrictions in 2018, increasing unrestricted net assets and reducing temporarily restricted net assets of $18,806,187.

Permanently restricted net assets are as follows at June 30, 2018 and 2017:

	2018	2017
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Agency	$ 16,914,707	$ 16,564,087
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support any of the activities of the Agency	5,391,475	5,391,475
Donor endowment invested in perpetuity by the Agency, the income from which is expendable to support specific programs as restricted by the donor	175,016	175,016
	$ 22,481,198	$ 22,130,578

Note 10. Endowment Funds

The Agency's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Agency classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Agency and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Agency; and
7) The investment policies of the Agency.

The Agency's endowment net asset composition by type of fund is as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Temporarily restricted	$ 17,728,416	$ 35,980,109
Permanently restricted	5,566,491	5,566,491
	$ 23,294,907	$ 41,546,600

Note 10. Endowment Funds (Continued)

The changes in endowment net assets for the Agency were as follows for the years ended June 30, 2018 and 2017:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 35,980,109	$ 5,566,491	$ 41,546,600
Investment return:			
Dividends and interest income	551,901	-	551,901
Investment expense	(167,516)	-	(167,516)
Net realized and unrealized gains	823,433	-	823,433
	1,207,818	-	1,207,818
Appropriation of endowment assets:			
Release from restrictions	(18,806,187)	-	(18,806,187)
Payout for operations	(653,324)	-	(653,324)
Undesignated investment return	(18,251,693)	-	(18,251,693)
Endowment net assets, end of year	$ 17,728,416	$ 5,566,491	$ 23,294,907

During 2017, management determined that certain investments totaling $18,806,187 that had previously been included in the Agency's endowment no longer had any current or expired restrictions. The Board took formal action in 2018 to appropriate these funds, which are reflected above as release from restrictions.

Note 10. Endowment Funds (Continued)

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 32,408,576	$ 5,566,491	$ 37,975,067
Investment return:			
Dividends and interest income	727,015	-	727,015
Investment expense	(298,421)	-	(298,421)
Net realized and unrealized gains	4,460,445	-	4,460,445
	4,889,039	-	4,889,039
Appropriation of endowment assets:			
Payout for operations	(1,317,506)	-	(1,317,506)
Undesignated investment return	3,571,533	-	3,571,533
Endowment net assets, end of year	$ 35,980,109	$ 5,566,491	$ 41,546,600

The Agency's beneficial interest in irrevocable perpetual trusts is externally managed and is therefore not included in the endowment tables above.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 and 2017.

The Agency has adopted investment and spending policies for endowment assets as follows:

Investment Policy
The Agency's endowment fund investments and other unrestricted investments continue to be professionally managed in a single investment pool under the oversight of the Agency's Board of Directors and Investment Committee.

The Agency's investment policy is to achieve the highest rate of return possible within an acceptable range of risk and volatility. Based on that objective, the current assumptions are that long-term returns net of expenses will average 7 percent and long-term inflation will average 3 percent.

The Agency's Investment Committee has the responsibility to establish the policies that guide the specific investments of the endowment assets. The policies describe the degree of investment risk and diversification that the committee deems appropriate.

The committee, in consultation with its investment consultant, monitors the performance of investment managers and adds, replaces, or eliminates managers as needed.

Note 10. Endowment Funds (Continued)

Spending Policy

Endowment spending is set annually by the Agency's Board of Directors after considering the funding needs of current Agency operations and the desire to preserve the long-term purchasing power of the Endowment. Distributions are authorized by the Board based on recommendations of the Investment Committee and Finance Committee. In 2018, payout for operations as reflected on the statement of activities of $1,333,314 consists of amounts appropriated from the endowment of $653,324 and amounts funded by other unrestricted investments of $679,990.

Note 11. Pension Plan

The Agency operates a trusted, noncontributory, defined-benefit pension plan (Plan). On December 31, 2012, the Agency implemented a full plan freeze for all employees.

The Projected Benefit Obligation is the actuarial present value of benefits under the plan formula, based on employee service to date and expected future compensation levels.

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the defined-benefit pension plan are as follows at June 30, 2018 and 2017:

	2018	2017
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 27,268,310	$ 28,294,203
Interest cost	962,827	911,184
Actuarial gains	(1,012,860)	(938,769)
Benefits paid	(1,069,750)	(998,308)
Projected benefit obligation at year-end	$ 26,148,527	$ 27,268,310
Accumulated benefit obligation	$ 26,148,527	$ 27,268,310
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 20,164,423	$ 19,161,679
Actual return on plan assets	1,107,195	2,001,052
Contributions	205,524	-
Benefits paid	(1,069,750)	(998,308)
Fair value of plan assets at year-end	$ 20,407,392	$ 20,164,423
Fair value of plan assets	$ 20,407,392	$ 20,164,423
Benefit obligations	26,148,527	27,268,310
Funded status (plan assets less benefit obligations)	$ (5,741,135)	$ (7,103,887)
Amounts recognized on statement of financial position as accrued pension expense liability	$ 5,741,135	$ 7,103,887

Note 11. Pension Plan (Continued)

The Accumulated Benefit Obligation is the actuarial present value of benefits earned to date, based on current and past compensation levels.

	2018	2017
Cumulative amounts recognized in changes from nonoperating activities:		
Beginning cumulative amount	$ 7,252,196	$ 9,186,462
Current year amount recognized in revenue	(980,173)	(1,934,266)
	$ 6,272,023	$ 7,252,196
Components of cumulative amounts recognized in changes from nonoperating activities:		
Unrecognized actuarial loss	$ 6,272,023	$ 7,252,196
Components of net periodic benefit cost:		
Interest cost	$ 962,827	$ 911,184
Expected return on plan assets	(1,291,486)	(1,210,489)
Net amortization and deferrals	151,604	204,934
	$ (177,055)	$ (94,371)

The net periodic benefit cost is presented on the statements of functional expenses as follows:

	2018	2017
Net periodic benefit cost in excess of contributions	$ (382,577)	$ (94,371)
Contributions included in payroll taxes and benefits	205,522	-
	$ (177,055)	$ (94,371)

The net pension cost was calculated using the January 1, 2017, census data, asset information as of June 30, 2017, and a measurement date of June 30, 2018.

Estimated service cost that will be amortized into periodic benefit cost in the next fiscal year at both June 30, 2018 and 2017 is $0 and $0, respectively.

Note 11. Pension Plan (Continued)

Assumptions

Pension costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year-end. A summary of the major assumptions follows:

	2018	2017
Funded status:		
Discount rate	4.04%	3.66%
Future salary increases	N/A	N/A
Pension cost:		
Discount rate	3.66%	3.35%
Return on assets in plans	6.70%	6.70%
Future salary increases	N/A	N/A

Plan Assets

The Agency invests the defined benefit plan assets in a professionally managed portfolio of equity and debt securities. The Agency's target asset allocation is approximately 30 percent fixed income and 70 percent equity securities. Each year this asset allocation strategy is reviewed to determine the percentage of the fund that is allocated to equity and debt securities. The expected rate of return is based on both historical returns as well as the outlook for future returns given the current economic conditions.

The fair values of the Agency's pension plan assets at June 30, 2018 and 2017 by asset category are as follows:

	2018	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 9,648,199	$ 9,648,199	$ -	$ -
Non-U.S. equities	3,849,511	3,849,511	-	-
Fixed income securities:				
U.S. fixed income securities	5,990,841	5,990,841	-	-
Non-U.S. fixed income securities	667,564	667,564	-	-
	20,156,115	$ 20,156,115	$ -	$ -
Cash and other	251,277			
	$ 20,407,392			

Note 11. Pension Plan (Continued)

	2017 Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 9,626,204	$ 9,626,204	$ -	$ -
Non-U.S. equities	3,018,532	3,018,532	-	-
Global equities	672,083	672,083	-	-
Fixed income securities:				
U.S. fixed income securities	5,998,199	5,998,199	-	-
Non-U.S. fixed income securities	763,641	763,641	-	-
	20,078,659	$ 20,078,659	$ -	$ -
Cash and other	85,764			
	$ 20,164,423			

The asset allocation for the Agency's pension plan by asset category is as follows:

	2018	2017
Equity securities	67 %	66 %
Debt securities	33	34
	100 %	100 %

Contributions
The Agency expects to contribute approximately $840,000 to the pension plan during the year ending June 30, 2019.

Estimated Future Benefit Payments
Estimated future benefit payments are as follows:

Year ending June 30:	
2019	$ 1,960,015
2020	1,459,535
2021	1,662,930
2022	1,531,426
2023	1,585,125
2024-2028	7,692,791

Note 12. Operating Leases

The Agency occupies office space used in its activities under operating leases expiring through November 2021. In 2018 and 2017, total rental expense recognized under all operating leases amounted to $1,361,880 and $1,245,853, respectively. Future minimum annual lease commitments under non-cancelable operating leases at June 30, 2018, are as follows:

Year ending June 30:	
2019	$ 1,206,784
2020	884,549
2021	855,100
2022	33,333
	$ 2,979,766

Note 13. Fiduciary Arrangements

Included in cash and in funds held in custody for others at June 30, 2018 and 2017 are $19,670 and $20,049, respectively, of funds held by the Agency on behalf of certain clients to cover their third-party obligations.

Note 14. Supporting Agencies

The Agency received approximately $35,000,000 and $29,500,000 of its support and revenue from federal and state granting agencies during 2018 and 2017, respectively. A significant reduction in this level of support, if it were to occur, could have a significant effect on the Agency's programs and activities. A portion of this support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

Note 15. Contingencies

From time to time, the Agency is subject to claims that arise in the ordinary course of conducting its activities. In management's opinion, the resolution of these matters would not have a material effect on the financial position of the Agency.