Consolidated Financial Statements
June 30, 2018 and 2017

The Children's Center
and Affiliates

Independent Auditor's Report

The Board of Trustees
The Children's Center
Salt Lake City, Utah

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Children's Center, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

The supplementary schedules on pages 20-23 are presented for the purpose of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Eide Bailly LLP

Salt Lake City, Utah
November 6, 2018

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1,562,104	$ 1,446,255
Accounts receivable, net	277,250	336,808
Unconditional promises to give, net	248,917	193,820
Prepaid expenses and other assets	36,607	35,723
Total current assets	2,124,878	2,012,606
Property and Equipment, Net	10,150,772	10,422,177
Endowment	9,301,442	8,456,197
Total assets	$ 21,577,092	$ 20,890,980
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 458,223	$ 330,673
Promise to grant space, current	15,976	-
Total current liabilities	474,199	330,673
Promise to Grant Space, Less Current Portion	207,688	-
Total liabilities	681,887	330,673
Net Assets		
Unrestricted		
Undesignated	1,030,074	1,299,649
Investment in property and equipment	10,150,772	10,422,177
The Children's Center Trust	6,281,266	5,658,768
	17,462,112	17,380,594
Temporarily restricted	1,438,093	1,184,713
Permanently restricted	1,995,000	1,995,000
Total net assets	20,895,205	20,560,307
Total liabilities and net assets	$ 21,577,092	$ 20,890,980

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support				
Contributions	$ 656,572	$ 353,112	$ -	$ 1,009,684
Special events, less cost of direct benefits to donors of $109,151	708,292	-	-	708,292
United Way allocation	-	95,998	-	95,998
	1,364,864	449,110	-	1,813,974
Revenues				
Federal and state contracts	552,478	-	-	552,478
Private contracts	1,252,224	-	-	1,252,224
Private fees	816,793	-	-	816,793
	2,621,495	-	-	2,621,495
Less contractual allowances	(332,079)	-	-	(332,079)
Less bad debt	(40,913)	-	-	(40,913)
	2,248,503	-	-	2,248,503
Other federal service revenue	499,224	-	-	499,224
Endowment net investment return	493,031	352,214	-	845,245
Other revenue	49,439	-	-	49,439
	1,041,694	352,214	-	1,393,908
Net Assets Released from Restrictions	547,944	(547,944)	-	-
Total public support and revenues	5,203,005	253,380	-	5,456,385
Expenses				
Program services				
Therapeutic Preschool	2,306,082	-	-	2,306,082
Training, Consultation and Research	588,509	-	-	588,509
Outpatient Services	1,497,525	-	-	1,497,525
Total program services	4,392,116	-	-	4,392,116
Supporting Services				
Management and general	367,334	-	-	367,334
Fundraising	362,037	-	-	362,037
Total supporting services	729,371	-	-	729,371
Total program and supporting services expenses	5,121,487	-	-	5,121,487
Change in Net Assets	81,518	253,380	-	334,898
Net Assets, Beginning of Year	17,380,594	1,184,713	1,995,000	20,560,307
Net Assets, End of Year	$ 17,462,112	$ 1,438,093	$ 1,995,000	$ 20,895,205

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support				
Contributions	$ 525,633	$ 248,713	$ -	$ 774,346
Special events, less cost of direct benefits to donors of $104,631	635,858	-	-	635,858
United Way allocation	-	126,576	-	126,576
	1,161,491	375,289	-	1,536,780
Revenues				
Federal and state contracts	519,127	-	-	519,127
Private contracts	1,137,525	-	-	1,137,525
Private fees	736,130	-	-	736,130
	2,392,782	-	-	2,392,782
Less contractual allowances	(248,370)	-	-	(248,370)
Less bad debt	(43,124)	-	-	(43,124)
	2,101,288	-	-	2,101,288
Other federal service revenue	646,590	-	-	646,590
Endowment net investment return	517,414	370,108	-	887,522
Other revenue	45,388	-	-	45,388
	1,209,392	370,108	-	1,579,500
Net Assets Released from Restrictions	635,611	(635,611)	-	-
Total public support and revenues	5,107,782	109,786	-	5,217,568
Expenses				
Program services				
Therapeutic Preschool	2,015,874	-	-	2,015,874
Training, Consultation and Research	725,515	-	-	725,515
Outpatient Services	1,508,949	-	-	1,508,949
Total program services	4,250,338	-	-	4,250,338
Supporting Services				
Management and general	221,299	-	-	221,299
Fundraising	328,010	-	-	328,010
Total supporting services	549,309	-	-	549,309
Total program and supporting services expenses	4,799,647	-	-	4,799,647
Change in Net Assets	308,135	109,786	-	417,921
Net Assets, Beginning of Year	17,072,459	1,074,927	1,995,000	20,142,386
Net Assets, End of Year	$ 17,380,594	$ 1,184,713	$ 1,995,000	$ 20,560,307

	Program Services				Supporting Services			
	Therapeutic Preschool	Training, Consultation and Research	Outpatient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related	$ 1,429,348	$ 438,730	$ 1,288,166	$ 3,156,244	$ 263,658	$ 256,574	$ 520,232	$ 3,676,476
Professional insurance	14,599	4,672	9,927	29,198	-	-	-	29,198
Office supplies	12,090	2,382	8,173	22,645	1,021	1,021	2,042	24,687
Program materials	17,673	9,851	7,965	35,489	-	-	-	35,489
Food	15,744	473	658	16,875	-	31,485	31,485	48,360
Postage and printing	3,551	4,734	2,420	10,705	484	17,943	18,427	29,132
Publications and testing material	258	82	5,585	5,925	35	435	470	6,395
Utilities	53,199	15,137	32,438	100,774	6,488	6,488	12,976	113,750
Repairs and maintenance	44,357	13,697	29,351	87,405	5,870	5,870	11,740	99,145
Janitorial service and supplies	22,443	7,141	15,302	44,886	3,060	3,060	6,120	51,006
Rent	-	-	-	-	-	39,237	39,237	39,237
Grant of space to nonprofit	239,640	-	-	239,640	-		-	239,640
Property insurance	6,578	1,416	3,034	11,028	607	607	1,214	12,242
Professional fees	120,716	25,226	29	145,971	61,259	125	61,384	207,355
Bad debts and collection expense	-	6,137	34,776	40,913	-	-	-	40,913
Transportation	90,288	7,831	642	98,761	-	-	-	98,761
Meetings and conventions	7,122	13,436	3,851	24,409	524	524	1,048	25,457
Investment management fee	-	-	-	-	49,141	-	49,141	49,141
Miscellaneous	15,926	3,233	6,467	25,626	2,804	88,875	91,679	117,305
Total expenses before depreciation	2,093,532	554,178	1,448,784	4,096,494	394,951	452,244	847,195	4,943,689
Depreciation	212,550	40,468	83,517	336,535	21,524	18,944	40,468	377,003
	2,306,082	594,646	1,532,301	4,433,029	416,475	471,188	887,663	5,320,692
Less expenses included with public support and revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(109,151)	(109,151)	(109,151)
Investment management fee	-	-	-	-	(49,141)	-	(49,141)	(49,141)
Bad debt reported as contra revenue	-	(6,137)	(34,776)	(40,913)	-	-	-	(40,913)
Total expenses included in the expense section on the statement of activities	$ 2,306,082	$ 588,509	$ 1,497,525	$ 4,392,116	$ 367,334	$ 362,037	$ 729,371	$ 5,121,487

	Program Services				Supporting Services			
	Therapeutic Preschool	Training, Consultation and Research	Outpatient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related	$ 1,379,124	$ 507,612	$ 1,295,121	$ 3,181,857	$ 146,610	$ 221,754	$ 368,364	$ 3,550,221
Professional insurance	17,021	5,447	11,574	34,042	-	-	-	34,042
Office supplies	13,769	2,911	9,301	25,981	1,097	1,097	2,194	28,175
Program materials	43,643	9,670	7,466	60,779	-	-	-	60,779
Food	11,392	-	615	12,007	-	32,257	32,257	44,264
Postage and printing	3,832	8,085	2,612	14,529	523	12,195	12,718	27,247
Publications and testing material	506	161	9,595	10,262	69	317	386	10,648
Utilities	53,042	14,851	31,823	99,716	6,364	6,364	12,728	112,444
Repairs and maintenance	38,847	12,052	25,826	76,725	5,165	5,165	10,330	87,055
Janitorial service and supplies	22,458	7,146	15,312	44,916	3,062	3,062	6,124	51,040
Rent	-	-	-	-	-	36,611	36,611	36,611
Property insurance	6,444	1,402	3,003	10,849	601	601	1,202	12,051
Professional fees	92,998	79,490	315	172,803	32,855	381	33,236	206,039
Bad debts and collection expense	21,099	6,751	14,349	42,199	-	925	925	43,124
Transportation	89,965	9,043	20	99,028	-	-	-	99,028
Meetings and conventions	6,032	17,772	3,892	27,696	194	194	388	28,084
Investment management fee	-	-	-	-	46,514	-	46,514	46,514
Miscellaneous	18,425	8,131	6,411	32,967	2,599	93,062	95,661	128,628
Total expenses before depreciation	1,818,597	690,524	1,437,235	3,946,356	245,653	413,985	659,638	4,605,994
Depreciation	218,376	41,742	86,063	346,181	22,160	19,581	41,741	387,922
	2,036,973	732,266	1,523,298	4,292,537	267,813	433,566	701,379	4,993,916
Less expenses included with public support and revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(104,631)	(104,631)	(104,631)
Investment management fee	-	-	-	-	(46,514)	-	(46,514)	(46,514)
Bad debt reported as contra revenue	(21,099)	(6,751)	(14,349)	(42,199)	-	(925)	(925)	(43,124)
Total expenses included in the expense section on the statement of activities	$ 2,015,874	$ 725,515	$ 1,508,949	$ 4,250,338	$ 221,299	$ 328,010	$ 549,309	$ 4,799,647

	2018	2017
Operating Activities		
Change in net assets	$ 334,898	$ 417,921
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	377,003	387,922
Promise to grant space	223,664	-
Endowment net investment return	(845,245)	(888,253)
Change in operating assets and liabilities		
Accounts receivable	59,558	33,868
Unconditional promises to give	(55,097)	5,743
Prepaid expenses and other assets	(884)	(2,792)
Accounts payable and accrued expenses	127,550	(36,458)
Net Cash from (used for) Operating Activities	221,447	(82,049)
Investing Activities		
Purchase of property and equipment	(105,598)	(136,288)
Purchases of endowment investments	(3,695,745)	(1,211,631)
Proceeds from sales of endowment investments	3,695,745	1,212,362
Net Cash used for Investing Activities	(105,598)	(135,557)
Net Change in Cash and Cash Equivalents	115,849	(217,606)
Cash and Cash Equivalents, Beginning of Year	1,446,255	1,663,861
Cash and Cash Equivalents, End of Year	$ 1,562,104	$ 1,446,255

Note 1 - Summary of Significant Accounting Policies

Operational Purpose

The Children's Center is a private, nonprofit agency that provides mental health treatment for troubled children (from birth through age 6) and their families. Founded in 1962 by Dr. Agi Plenk, The Children's Center consists of two treatment facilities, one in Salt Lake City, Utah and one in Kearns, Utah. The Children's Center is one of the largest clinical agencies in the country serving preschool-aged children with emotional and behavioral disorders. The Children's Center believes in being a resource for community organizations and a training center to enhance care for young children and their families. The Children's Center's programs consist of the following:

Therapeutic Preschool: Provides treatment for emotionally troubled preschool-aged children three hours per day, five days per week, 52 weeks per year.

Training, Consultation and Research: Provides training and consultation for mental health clinicians, early intervention specialists, Division of Child and Family Services staff, community professionals, para-professionals and staff in child care centers to improve and enhance mental health services to young children in the state of Utah.

Outpatient Services: Provides psychological evaluations, mental health consultations, psychiatric evaluations, therapy groups for emotionally troubled children in groups once or twice weekly, as well as individual and family therapy and teen parent counseling.

The Children's Center Endowment Trust (the Trust) is a separate nonprofit entity, governed by a board of five trustees, which holds investments to provide for the future needs of The Children's Center. Earnings from the Trust's investments are not restricted by the terms of the endowment and are used for capital improvements, research, and program development.

Historic Oquirrh School Manager, Inc., a wholly-owned subsidiary, was formed on September 3, 2008. This entity was formed to own and operate the Historic Oquirrh School (the School). The Children's Center renovated the School and uses it as its administrative office and treatment center in Salt Lake City, Utah. The Children's Center moved into the School in July 2009.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of The Children's Center and the Trust because The Children's Center has both control and an economic interest in the Trust. The accounts and operations of Historic Oquirrh School Manager, Inc., wholly-owned by The Children's Center, are also included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entities are hereinafter referred to as "the Center."

Cash and Cash Equivalents

The Center considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Center are excluded from this definition.

Property and Equipment

Property and equipment additions over $500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Center reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2018 and 2017.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for therapeutic programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance was $160,000.

Unconditional Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance was $1,139. At June 30, 2018 and 2017, all unconditional promises to give are expected to be collected within one year.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Center’s program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Center records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Trustees for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Center and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Center’s Board of Trustees.
The Center reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Center. The restrictions stipulate that resources be maintained permanently but permit the Center to expend the income generated in accordance with the provisions of the agreements.

Income Taxes

The Children's Center and The Children's Center Endowment Trust are organized as Utah nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), that qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Historic Oquirrh School Manager, Inc. is taxed as a corporation but does not have any significant differences between book and tax accounting. Therefore, no tax provision is recorded in the accompanying consolidated financial statements.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 and those differences could be material.

Financial Instruments and Credit Risk

The Center manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Center has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Center's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Center.

Subsequent Events

The Center has evaluated subsequent events through November 6, 2018, the date the consolidated financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 2,051,925	$ 2,051,925
Buildings and leasehold improvements	11,205,979	11,205,979
Furniture, fixtures and equipment	1,134,404	1,167,850
Land improvements	244,233	244,170
	14,636,541	14,669,924
Less accumulated depreciation and amortization	(4,485,769)	(4,247,747)
	$ 10,150,772	$ 10,422,177

Note 3 - Endowment Net Investment Return

Endowment net investment return consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	$ 148,231	$ 136,703
Net realized and unrealized gain	746,155	797,333
Less investment management and custodial fees	(49,141)	(46,514)
	$ 845,245	$ 887,522

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Center develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Center's assessment of the quality, risk or liquidity profile of the asset or liability.

The Center's endowment investment assets are classified within Level 1 because they are comprised of common stocks with readily determinable fair values based on quoted market prices and open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

		Fair Value Measurements at Report Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds (at cost)	$ 777,199	$ -	$ -	$ -
Common stocks	3,260,868	3,260,868	-	-
Mutual funds - stocks	2,648,169	2,648,169	-	-
Mutual funds - bonds	2,200,936	2,200,936	-	-
Mutual funds - real assets	212,200	212,200	-	-
Mutual funds - alternatives	153,089	153,089	-	-
Mutual funds - other	48,981	48,981	-	-
Total assets at fair value	$ 9,301,442	$ 8,524,243	$ -	$ -

The following table presents assets measured at fair value on a recurring basis at June 30, 2017:

		Fair Value Measurements at Report Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market funds (at cost)	$ 795,512	$ -	$ -	$ -
Common stocks	2,816,214	2,816,214	-	-
Mutual funds - stocks	2,844,715	2,844,715	-	-
Mutual funds - bonds	1,950,466	1,950,466	-	-
Mutual funds - other	49,290	49,290	-	-
Total assets at fair value	$ 8,456,197	$ 7,660,685	$ -	$ -

Note 5 - Endowment

The Center’s endowment (the Endowment) was established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board of Trustees. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center’s Board of Trustees has interpreted the Utah 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, unless there are explicit donor stipulations to the contrary. At June 30, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted Endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Center 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
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Center had the following Endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Board-designated quasi-endowment	$ 6,281,266	$ -	$ -	$ 6,281,266
Donor-restricted endowment	-	1,025,176	1,995,000	3,020,176
	$ 6,281,266	$ 1,025,176	$ 1,995,000	$ 9,301,442
June 30, 2017				
Board-designated quasi-endowment	$ 5,658,768	$ -	$ -	$ 5,658,768
Donor-restricted endowment	-	802,429	1,995,000	2,797,429
	$ 5,658,768	$ 802,429	$ 1,995,000	$ 8,456,197

Investment and Spending Policies

The Endowment was established to support the treatment of young children with emotional and behavioral problems and their families. Amounts, once appropriated by the Board of Trustees, may be distributed for the unrestricted use of the Center.

The investment objective is to preserve and grow principal. The spending policy for the Endowment was established to allow for growth in excess of the long-term inflation rate. Distributions of income and up to 25 percent of the principal may be made with approval of the Board of Trustees.

Changes in Endowment net assets for the year ending June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,658,768	$ 802,429	$ 1,995,000	$ 8,456,197
Investment return				
Investment income, net of fees	57,799	41,291	-	99,090
Net realized and unrealized gain	435,232	310,923	-	746,155
	6,151,799	1,154,643	1,995,000	9,301,442
Appropriation of endowment assets pursuant to spending-rate policy	129,467	(129,467)	-	-
Endowment net assets, end of year	$ 6,281,266	$ 1,025,176	$ 1,995,000	$ 9,301,442

Changes in Endowment net assets for the year ending June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,017,039	$ 556,636	$ 1,995,000	$ 7,568,675
Investment return				
Investment income, net of fees	52,330	37,859	-	90,189
Net realized and unrealized loss	465,084	332,249	-	797,333
	5,534,453	926,744	1,995,000	8,456,197
Appropriation of endowment assets pursuant to spending-rate policy	124,315	(124,315)	-	-
Endowment net assets, end of year	$ 5,658,768	$ 802,429	$ 1,995,000	$ 8,456,197

Endowment assets are invested as follows at June 30, 2018 and 2017:

	2018	2017
Cash and cash equivalents	$ 777,199	$ 795,512
Investments	8,524,243	7,660,685
	$ 9,301,442	$ 8,456,197

Note 6 - Promise to Grant Space

During the year ended June 30, 2018, the Center entered into a lease agreement with an unrelated nonprofit organization wherein the Center committed to lease space to the nonprofit organization rent-free for a period of 15 years. In connection with this lease agreement, the Center recorded a promise to grant space liability and is amortizing the liability over the term of the lease. The value of the promise to grant space was determined based on the estimated fair value of the leased space. At June 30, 2018 and 2017 the promise to grant space liability totals $223,664 and $0, respectively. During the year ended June 30, 2018 $239,640 was recorded as expense and is reflected as grant of space to nonprofit in the consolidated statement of activities and consolidated statement of functional expenses. During the years ended June 30, 2018 and 2017 $15,976 and $0, respectively, of the promise to grant space liability has been amortized and included in other revenue in the consolidated statements of activities.

Note 7 - Employee Benefits

The Center sponsors a defined contribution retirement plan (the Plan). Eligible employees can make contributions to the Plan on a pre-tax basis. The Center matches employee contributions up to 2% of their annual salary. If the employee is full-time and has achieved one year of service with the Center, an additional 3% is contributed. During the years ended June 30, 2018 and 2017, the Center contributed $78,578 and $78,015, respectively, to the Plan.

Note 8 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2018 and 2017, consist of:

	2018	2017
Restricted by donors for Outpatient Services, Training, Capital Improvements	$ 164,000	$ 188,464
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use Available for general use	1,025,176	802,429
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	248,917	193,820
	$ 1,438,093	$ 1,184,713

Permanently Restricted

Permanently restricted net assets totaling $1,995,000 at June 30, 2018 and 2017 consist of endowment funds restricted by donors for investment in perpetuity for the benefit of the Center. Appropriations of earnings on endowment funds are available for the unrestricted use of the Center.

Note 9 - Contingencies

The Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not have a material adverse effect on the Company.

Supplementary Information
June 30, 2018 and 2017

The Children's Center

and Affiliates

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 1,125,801	$ -	$ 436,303	$ -	$ 1,562,104
Accounts receivable, net	277,250	-	37,500	(37,500)	277,250
Unconditional promises to give, net	248,917	-	-	-	248,917
Prepaid expenses and other assets	36,607	-	-	-	36,607
Total current assets	1,688,575	-	473,803	(37,500)	2,124,878
Property and Equipment, Net	3,173,333	-	6,977,439	-	10,150,772
Endowment	-	9,301,442	-	-	9,301,442
Other Assets	7,069,300	-	8,339,427	(15,408,727)	-
Total assets	$ 11,931,208	$ 9,301,442	$ 15,790,669	$ (15,446,227)	$ 21,577,092
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 495,723	$ -	$ -	$ (37,500)	$ 458,223
Promise to grant space, current	15,976	-	-	-	15,976
Total current liabilities	511,699	-	-	(37,500)	474,199
Promise to Grant Space, Less Current Portion	207,688	-	-	-	207,688
Total liabilities	719,387	-	-	(37,500)	681,887
Net Assets					
Members' equity	-	-	7,451,242	(7,451,242)	-
Common stock	-	-	8,339,427	(8,339,427)	-
Unrestricted					
Undesignated	648,132	-	-	381,942	1,030,074
Investment in property and equipment	10,150,772	-	-	-	10,150,772
The Children's Center Trust	-	6,281,266	-	-	6,281,266
	10,798,904	6,281,266	-	381,942	17,462,112
Temporarily restricted	412,917	1,025,176	-	-	1,438,093
Permanently restricted	-	1,995,000	-	-	1,995,000
Total net assets	11,211,821	9,301,442	15,790,669	(15,408,727)	20,895,205
Total liabilities and net assets	$ 11,931,208	$ 9,301,442	$ 15,790,669	$ (15,446,227)	$ 21,577,092

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 1,121,280	$ -	$ 324,975	$ -	$ 1,446,255
Accounts receivable, net	336,808	-	-	-	336,808
Unconditional promises to give, net	193,820	-	-	-	193,820
Prepaid expenses and other assets	35,723	-	-	-	35,723
Total current assets	1,687,631	-	324,975	-	2,012,606
Property and Equipment, Net	3,186,762	-	7,235,415	-	10,422,177
Endowment	-	8,456,197	-	-	8,456,197
Other Assets	7,069,300	-	8,339,427	(15,408,727)	-
Total assets	$ 11,943,693	$ 8,456,197	$ 15,899,817	$ (15,408,727)	$ 20,890,980
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 330,673	$ -	$ -	$ -	$ 330,673
Total current liabilities	330,673	-	-	-	330,673
Total liabilities	330,673	-	-	-	330,673
Net Assets					
Members' equity	-	-	7,560,390	(7,560,390)	-
Common stock	-	-	8,339,427	(8,339,427)	-
Unrestricted					
Undesignated	808,559	-	-	491,090	1,299,649
Investment in property and equipment	10,422,177	-	-	-	10,422,177
The Children's Center Trust	-	5,658,768	-	-	5,658,768
	11,230,736	5,658,768	-	491,090	17,380,594
Temporarily restricted	382,284	802,429	-	-	1,184,713
Permanently restricted	-	1,995,000	-	-	1,995,000
Total net assets	11,613,020	8,456,197	15,899,817	(15,408,727)	20,560,307
Total liabilities and net assets	$ 11,943,693	$ 8,456,197	$ 15,899,817	$ (15,408,727)	$ 20,890,980

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Public Support					
Contributions	$ 1,009,684	$ -	$ -	$ -	$ 1,009,684
Special events, less cost of direct benefits to donors of $109,151	708,292	-	-	-	708,292
United Way allocation	95,998	-	-	-	95,998
	1,813,974	-	-	-	1,813,974
Revenues					
Federal and state contracts	552,478	-	-	-	552,478
Private contracts	1,252,224	-	-	-	1,252,224
Private fees	816,793	-	-	-	816,793
	2,621,495	-	-	-	2,621,495
Less contractual allowances	(332,079)	-	-	-	(332,079)
Less bad debt	(40,913)	-	-	-	(40,913)
	2,248,503	-	-	-	2,248,503
Other federal service revenue	499,224	-	-	-	499,224
Endowment net investment return	-	845,245	-	-	845,245
Rental income	-	-	150,000	(150,000)	-
Other revenue	49,439	-	-	-	49,439
	548,663	845,245	150,000	(150,000)	1,393,908
Total public support and revenues	4,611,140	845,245	150,000	(150,000)	5,456,385
Expenses					
Program services					
Therapeutic Preschool	2,230,195	-	141,887	(66,000)	2,306,082
Training, Consultation and Research	581,132	-	28,377	(21,000)	588,509
Outpatient Services	1,482,019	-	60,506	(45,000)	1,497,525
Total program services	4,293,346	-	230,770	(132,000)	4,392,116
Supporting services					
Management and general	360,855	-	15,479	(9,000)	367,334
Fundraising	358,138	-	12,899	(9,000)	362,037
Total supporting services	718,993	-	28,378	(18,000)	729,371
Total program and supporting services expenses	5,012,339	-	259,148	(150,000)	5,121,487
Change in Net Assets	(401,199)	845,245	(109,148)	-	334,898
Net Assets, Beginning of Year	11,613,020	8,456,197	15,899,817	(15,408,727)	20,560,307
Net Assets, End of Year	$ 11,211,821	$ 9,301,442	$ 15,790,669	$ (15,408,727)	$ 20,895,205

	The Children's Center	The Children's Center Endowment Trust	Historic Oquirrh School Manager, Inc.	Eliminations	Total
Public Support					
Contributions	$ 774,346	$ -	$ -	$ -	$ 774,346
Special events, less cost of direct benefits to donors of $104,631	635,858	-	-	-	635,858
United Way allocation	126,576	-	-	-	126,576
	1,536,780	-	-	-	1,536,780
Revenues					
Federal and state contracts	519,127	-	-	-	519,127
Private contracts	1,137,525	-	-	-	1,137,525
Private fees	736,130	-	-	-	736,130
	2,392,782	-	-	-	2,392,782
Less contractual allowances	(248,370)	-	-	-	(248,370)
Less bad debt	(43,124)	-	-	-	(43,124)
	2,101,288	-	-	-	2,101,288
Other federal service revenue	646,590	-	-	-	646,590
Endowment net investment return	-	887,522	-	-	887,522
Rental income	-	-	150,000	(150,000)	-
Other revenue	45,388	-	-	-	45,388
	691,978	887,522	150,000	(150,000)	1,579,500
Total public support and revenues	4,330,046	887,522	150,000	(150,000)	5,217,568
Expenses					
Program services					
Therapeutic Preschool	1,939,984	-	141,890	(66,000)	2,015,874
Training, Consultation and Research	718,137	-	28,378	(21,000)	725,515
Outpatient Services	1,494,613	-	59,336	(45,000)	1,508,949
Total program services	4,152,734	-	229,604	(132,000)	4,250,338
Supporting services					
Management and general	213,839	-	16,460	(9,000)	221,299
Fundraising	324,111	-	12,899	(9,000)	328,010
Total supporting services	537,950	-	29,359	(18,000)	549,309
Total program and supporting services expenses	4,690,684	-	258,963	(150,000)	4,799,647
Change in Net Assets	(360,638)	887,522	(108,963)	-	417,921
Net Assets, Beginning of Year	11,973,658	7,568,675	16,008,780	(15,408,727)	20,142,386
Net Assets, End of Year	$ 11,613,020	$ 8,456,197	$ 15,899,817	$ (15,408,727)	$ 20,560,307