

MAINE STATE LEGISLATURE

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FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

MAINE CHILDREN'S TRUST, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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OUELLETTE & ASSOCIATES, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Mark R. Carrier, C.P.A.
Michael R. Dunn, C.P.A.
Jonathan A. Hussey, C.P.A., M.S.T.
Steven R. Lamontagne, C.P.A.

Gary W. Soucy, C.P.A.
Gary A. Wigant, C.P.A.
C. Joseph Wolverton, Jr., C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Maine Children's Trust, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Ouellette & Associates, P.A.

Certified Public Accountants

April 23, 2019
Lewiston, Maine

MAINE CHILDREN'S TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

<i>ASSETS</i>		
	<i>2018</i>	<i>2017</i>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 819,367	\$ 810,001
Grants Receivable	173,957	514,769
Unconditional Promises to Give	131,928	100,388
Prepaid Expenses	3,851	3,122
Total Current Assets	<u>1,129,103</u>	<u>1,428,280</u>
PROPERTY AND EQUIPMENT, NET	<u>80,009</u>	<u>123,064</u>
OTHER ASSETS		
Investments	1,153,539	1,041,790
Other Assets	30,000	30,000
Total Other Assets	<u>1,183,539</u>	<u>1,071,790</u>
TOTAL ASSETS	<u>\$ 2,392,651</u>	<u>\$ 2,623,134</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts Payable	\$ 88,940	\$ 664,486
Accrued Expenses	42,037	54,255
Deferred Revenue	749,397	509,851
Total Current Liabilities	<u>880,374</u>	<u>1,228,592</u>
TOTAL LIABILITIES	<u>880,374</u>	<u>1,228,592</u>
NET ASSETS		
Unrestricted	1,334,865	1,220,340
Permanently Restricted	177,412	174,202
Total Net Assets	<u>1,512,277</u>	<u>1,394,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,392,651</u>	<u>\$ 2,623,134</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Unrestricted</i>	<i>Permanently Restricted</i>	<i>2018 Total</i>
REVENUE, GAINS AND OTHER SUPPORT			
Government Grants and Contract	\$ 10,215,781	\$ -	\$ 10,215,781
Contributions - Income Tax Check-Off	28,892	3,210	32,102
Contributions - United Way	98,333	-	98,333
Contributions - Corporate/Individual	10,865	-	10,865
Annual Recognition Event	23,054	-	23,054
Interest Income	2,909	-	2,909
Investment Return	109,670	-	109,670
Miscellaneous Income	578	-	578
TOTAL REVENUE, GAINS AND OTHER SUPPORT	10,490,082	3,210	10,493,292
EXPENSES			
Program Expenses	10,246,130	-	10,246,130
General and Administrative	129,427	-	129,427
TOTAL EXPENSES	10,375,557	-	10,375,557
CHANGE IN NET ASSETS	114,525	3,210	117,735
NET ASSETS, BEGINNING OF YEAR	1,220,340	174,202	1,394,542
NET ASSETS, END OF YEAR	\$ 1,334,865	\$ 177,412	\$ 1,512,277

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

STATEMENT OF ACTIVITIES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	<i>Unrestricted</i>	<i>Permanently Restricted</i>	<i>2017 Total</i>
REVENUE, GAINS AND OTHER SUPPORT			
Government Grants and Contracts	\$ 9,023,907	\$ -	\$ 9,023,907
Contributions - Income Tax Check-Off	18,710	2,079	20,789
Contributions - United Way	89,847	-	89,847
Contributions - Corporate/Individual	2,782	-	2,782
Annual Recognition Event	25,085	-	25,085
Interest Income	2,148	-	2,148
Investment Return	125,959	-	125,959
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>9,288,438</u>	<u>2,079</u>	<u>9,290,517</u>
EXPENSES			
Program Expenses	9,034,786	-	9,034,786
General and Administrative	130,682	-	130,682
TOTAL EXPENSES	<u>9,165,468</u>	<u>-</u>	<u>9,165,468</u>
CHANGE IN NET ASSETS	122,970	2,079	125,049
NET ASSETS, BEGINNING OF YEAR	<u>1,097,370</u>	<u>172,123</u>	<u>1,269,493</u>
NET ASSETS, END OF YEAR	<u>\$ 1,220,340</u>	<u>\$ 174,202</u>	<u>\$ 1,394,542</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Program Expenses</i>	<i>General and Administrative</i>	<i>2018 Total</i>
EXPENSES:			
Salaries and Wages	\$ 420,107	\$ 74,136	\$ 494,243
Payroll Taxes	34,627	6,110	40,737
Fringe Benefits	50,278	8,872	59,150
Total Personnel Expenses	<u>505,012</u>	<u>89,118</u>	<u>594,130</u>
Consultants	383,233	-	383,233
Conferences and Trainings	128,153	-	128,153
Depreciation	38,750	4,305	43,055
Supplies, Equipment and Program Materials	139,846	7,360	147,206
Grant and Subrecipient Expenses:			
Child Abuse Prevention Network Expense	1,520,422	-	1,520,422
MCT Grants to Agencies	66,910	-	66,910
United Way Agencies	98,333	-	98,333
Home Visting Subrecipient Expenses	7,155,352	-	7,155,352
Annual Event	-	12,696	12,696
Legal and Accounting Fees	15,660	1,740	17,400
Professional Development	10,994	-	10,994
Rent	52,408	5,823	58,231
Office Expense	12,550	1,394	13,944
Dues and Registration Fees	6,022	669	6,691
Prevention Initiatives	31,608	-	31,608
Promotions/Public Awareness	18,274	-	18,274
Insurance	7,356	817	8,173
Travel	7,713	856	8,569
Telephone	4,958	550	5,508
Printing and Publications	5,562	618	6,180
Meetings	1,788	198	1,986
E-mail/Website	28,238	3,137	31,375
Bank and Payroll Service Charges	1,315	146	1,461
Miscellaneous	5,673	-	5,673
TOTAL EXPENSES	<u>\$ 10,246,130</u>	<u>\$ 129,427</u>	<u>\$ 10,375,557</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

STATEMENT OF FUNCTIONAL EXPENSES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	<i>Program Expenses</i>	<i>General and Administrative</i>	<i>2017 Total</i>
EXPENSES:			
Salaries and Wages	\$ 297,174	\$ 74,293	\$ 371,467
Payroll Taxes	24,115	6,028	30,143
Fringe Benefits	34,826	8,706	43,532
Total Personnel Expenses	<u>356,115</u>	<u>89,027</u>	<u>445,142</u>
Consultants	458,857	-	458,857
Conferences and Trainings	81,075	-	81,075
Depreciation	38,750	4,305	43,055
Supplies, Equipment and Program Materials	67,724	3,565	71,289
Grant and Subrecipient Expenses:			
Child Abuse Prevention and Program Materials	944,611	-	944,611
MCT Grants to Agencies	26,885	-	26,885
United Way Agencies	89,846	-	89,846
Home Visting Subrecipient Expenses	6,829,291	-	6,829,291
Other Grant Activity	4,250	-	4,250
Annual Event	-	21,995	21,995
Legal and Accounting Fees	13,185	1,465	14,650
Professional Development	7,396	-	7,396
Rent	53,434	5,937	59,371
Office Expense	12,937	1,438	14,375
Dues and Registration Fees	4,230	470	4,700
Prevention Initiatives	9,296	-	9,296
Promotions/Public Awareness	14,126	-	14,126
Insurance	6,790	755	7,545
Travel	1,008	112	1,120
Telephone	5,679	631	6,310
Printing and Publications	3,990	443	4,433
Meetings	1,144	127	1,271
E-mail/Website	2,939	326	3,265
Bank and Payroll Service Charges	<u>1,228</u>	<u>86</u>	<u>1,314</u>
TOTAL EXPENSES	<u>\$ 9,034,786</u>	<u>\$ 130,682</u>	<u>\$ 9,165,468</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in Net Assets</i>	\$ 117,735	\$ 125,049
Adjustments to Reconcile Change in Net Assets to Net		
Cash Flows From Operating Activities:		
Depreciation	43,055	43,055
Unrealized Gain on Investments	(47,563)	(74,566)
<i>(Increase) Decrease in Operating Assets:</i>		
Accounts Receivable	-	333
Grants Receivable	340,812	1,518,600
Unconditional Promises to Give	(31,540)	(18,788)
Prepaid Expense	(729)	3,743
<i>Increase (Decrease) in Operating Liabilities:</i>		
Accounts Payable	(575,546)	(1,448,291)
Accrued Expenses	(12,218)	21,588
Deferred Revenue	239,546	399,066
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>73,552</u>	<u>569,789</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	<u>(64,186)</u>	<u>(54,135)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(64,186)</u>	<u>(54,135)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,366	515,654
BEGINNING CASH AND CASH EQUIVALENTS	<u>810,001</u>	<u>294,347</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 819,367</u>	<u>\$ 810,001</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1: NATURE OF THE ORGANIZATION

The Maine Children's Trust, Inc., a charitable corporation (the Trust), was established to provide a mechanism for voluntary contributions by individuals and groups for annual and long-term funding throughout Maine of child abuse and neglect prevention programs. The Trust provides training and advocates for increased services for Maine families as well as works to increase public awareness around the issue of child abuse and neglect prevention. The Trust holds the charter for Prevent Child Abuse Maine and provides management and administration of the Maine Families program including management of the Local Implementing Agencies who deliver the direct client services of the program at the local level.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables and other liabilities. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Trust and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Trust maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Trust has entered into a Sweep Account Agreement with Key Bank and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Accounts Receivable

All grants and accounts receivable are stated at the amount management expect to collect from balances outstanding at year-end. Balances outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to the applicable accounts receivable. Management does not believe an allowance for uncollectible accounts receivable was necessary at June 30, 2018 and 2017.

Revenue Recognition

The Trust's revenue is recognized primarily from federal and state grants and contracts generally structured as reimbursed contracts for services and therefore revenue is recognized based on when their individual allowable budgeted expenditures occur. Federal and state grant revenue comprised 97% of total revenue in the fiscal years ended June 30, 2018 and 2017. The Trust is also the repository for funds donated by taxpayers of the State of Maine through an income tax check off program. Income tax check off revenue totaled \$32,102 and \$20,789 for the fiscal years ended June 30, 2018 and 2017, respectively.

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Trust that is, in substance, unconditional. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Property and Equipment

The Trust capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost, and donated property and equipment are carried at the approximate fair value at the date of donation. Major additions and renewals are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Depreciation expense was \$43,055 for the years ended June 30, 2018 and 2017.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Trust carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Investment and Spending Policy

The Trust has adopted investment and spending policies for endowment assets such as to provide greater financial resources for the prevention of child abuse and neglect in Maine. Such investments shall not entail items which are deemed contrary to the well-being of children and families or would bring undue criticism to the Trust. The Trust will not invest in companies whose primary revenues are derived from tobacco and alcohol. The Trust will pursue a 3-tiered investment strategy with varying risks. The fiduciary agent is required to seek approval from the Finance Committee or Executive Director regarding significant departures from 3-tiered percentage allocations.

The Trust's spending policy states that 5% per annum of the Trust's endowment income may be expended on operations and/or programming as long as a given year's investment income equals or exceeds 5% of the corresponding year's endowment. The Trust has not expended endowment fund income for the years ended June 30, 2018 and 2017.

Income Taxes

The Trust qualifies as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

Management has evaluated the Trust's tax positions and concluded that as of June 30, 2018 and 2017, the Trust had taken no uncertain tax positions that would require adjustment to the financial statements within the next twelve months. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Trust's tax returns will not be challenged by the taxing authorities and that the Trust will not be subject to additional tax, penalties and interest as a result of such challenge. Generally, the Trust's tax returns remain subject to examination for three years after they were filed which includes the tax years ended June 30, 2016 through 2018.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs associated with providing program services and management and general support services are presented by natural classification on the statement of functional expenses and have been summarized on a functional basis on the Statements of Activities. Program expenses summarized on a functional basis are as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Home Visiting /Maine Families	\$ 8,092,383	\$ 7,771,760
Child Abuse Network	1,779,916	1,012,167
Child Abuse Prevention - Federal	275,498	156,762
United Way	98,333	89,847
Other Programs	<u>-</u>	<u>4,250</u>
Total Expenses	<u>\$10,246,130</u>	<u>\$9,034,786</u>

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions of this update include:

- eliminating the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements and requiring enhanced disclosure in the notes to the financial statements to provide information about the nature, amounts, and effects of the various types of donor-imposed restrictions;
- disclosing qualitative information that communicates how an organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date;
- disclosing amounts of expenses by both their natural classification and their functional classification;
- disclosing the method used to allocate costs amount program and support functions.

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. This update may have an effect on the presentation of the Trusts' financial statements.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 3: UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give represent income tax check off contributions of \$131,928 and \$100,388 at June 30, 2018 and 2017, respectively, not yet received by the Trust.

Grants receivable represents various grants which have been earned by the Trust, but not yet received as of year-end.

Grants receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Maine Families Program	\$ 164,796	\$ 381,003
Child Abuse Prevention – Federal	<u>9,161</u>	<u>133,766</u>
Total	<u>\$ 173,957</u>	<u>\$ 514,769</u>

The remaining Child Abuse Prevention - Federal Grant funding (CAPTA) that was awarded but not received and unspent as of June 30, 2018 and 2017 totaled \$234,335 and \$418,778, respectively.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Office Equipment and Furniture	\$ 41,978	\$ 41,978
Computer Equipment and Software	107,309	107,309
Leasehold Improvements	<u>27,000</u>	<u>27,000</u>
	176,287	176,287
Less: Accumulated Depreciation	<u>96,278</u>	<u>53,223</u>
	<u>\$ 80,009</u>	<u>\$ 123,064</u>

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 5: INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Mutual Funds	<u>\$ 786,004</u>	<u>\$ 1,153,539</u>	<u>\$ 367,535</u>

	<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Mutual Funds	<u>\$ 786,004</u>	<u>\$ 1,041,790</u>	<u>\$ 255,786</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Investment Income	\$ 62,107	\$ 51,393
Net Unrealized Gain	<u>47,563</u>	<u>74,566</u>
Total Investment Return	<u>\$ 109,670</u>	<u>\$ 125,959</u>

NOTE 6: FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* establish a framework to measuring fair value within generally accepted accounting principles (GAAP). That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Sirois Associates Common Stock: The Trust maintains 27 shares of common stock of Sirois Associates, which is a corporation that holds real estate in Boothbay Harbor, Maine. Where this stock has little to no market activity, the stock was valued based on the Town's valuation of the real estate, discounted by the estimated taxes owed upon the sale of the property.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$1,153,539	\$ -	\$ -	\$1,153,539
Sirois Assoc. Common Stock	-	-	30,000	30,000
	<u>\$1,153,539</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$1,183,539</u>

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

			<u>2017</u>	
Mutual Funds	\$1,041,790	\$ -	\$ -	\$1,041,790
Sirois Assoc. Common Stock	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
	<u>\$1,041,790</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$1,071,790</u>

NOTE 7: DEFERRED REVENUE

Deferred revenue consists primarily of revenue received from grants and agreements with federal and state departments, which was not spent as of the end of the year but required to remain in the program as outlined in the agreements. These amounts are normally utilized within the next fiscal year and therefore classified as a current liability. Deferred revenue as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Child Abuse Network	\$ 473,205	\$ 507,851
Home Visiting LIA	275,752	-
Deferred Event Revenue	<u>440</u>	<u>2,000</u>
Total	<u>\$ 749,397</u>	<u>\$ 509,851</u>

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT

The Trust's endowment was established pursuant to the State of Maine Statutes, Chapter 1058 subsection 3885. A minimum of 10% of tax checkoff revenue received each year from individuals must be set aside for allocation to the segregated endowment fund. Up to 90% of the checkoff revenue and other income received by the endowment fund may be expended annually by the Trust in accordance with this chapter.

The Trust classifies as permanently restricted net assets (a) the original value of funds received from the State checkoff revenue and (b) subsequent additions to the funds. Income and net appreciation (depreciation) is reported as unrestricted net assets.

The following is a summary of the Trust's endowment net asset composition by permanently restricted net assets as of June 30:

	<u>2018</u>	<u>2017</u>
Segregated Endowment Funds	<u>\$ 177,412</u>	<u>\$ 174,202</u>

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT (Continued)

Changes in the Trust's endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Endowment Net Assets, Beginning of Year	\$ 174,202	\$ 172,123
10% of Tax Checkoff Revenue	<u>3,210</u>	<u>2,079</u>
Endowment Net Assets, End of Year	<u>\$ 177,412</u>	<u>\$ 174,202</u>

NOTE 9: LEASES

Office Space

The Trust is leasing office space under a 3-year lease expiring June 2019. Rental payments are \$4,600 a month. Rent expense for the years ended June 30, 2018 and 2017 was \$55,200 and \$59,371, respectively. The following represents the future minimum lease payments for the years ending June 30:

2019	<u>\$ 55,200</u>
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Office Equipment

As of June 30, 2018, the Trust has a noncancellable operating lease for its photocopier that expires in April, 2019 with base monthly payments of \$205. The following represents the future minimum lease payments for the years ending June 30:

2019	<u>\$ 2,050</u>
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NOTE 10: PENSION PLAN

The Trust adopted a retirement program which consists of a Simplified Employee Pension (SEP) account established for permanent full-time employees over 21 years of age with one year of service. The Trust contributes a percentage of each employee's gross salary into the account. Contributions to the pension plan for the years ended June 30, 2018 and 2017 were \$21,297 and \$15,520, respectively.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 11: RELATED PARTY TRANSACTIONS

The Trust contracts with many organizations, with similar missions, who participates as sub-recipients in the Trust's programs. The sub-recipient organizations also have a member of Management who serves on the Trust's Board of Directors. The Trust has no ownership or voting interests in the sub-recipient organizations. The following is a summary of funding provided to the sub-recipient organizations for the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
Aroostook Council for Healthy Families	\$ 677,684	\$ 759,648
Franklin County Children's Task	717,768	771,069
Kids Free to Grow	196,687	131,903
KVCAP Kennebec County	147,971	73,124
KVCAP Somerset County	173,536	107,603
KVCAP Maine Families	960,639	1,071,155
KVCAP/FEC	9,575	1,000

The Trust also contracts with individuals who provide consulting and/or trainings. These individuals also serve on the Trust's Board of Directors. The following is a summary of amounts paid to these individuals.

	<u>2018</u>	<u>2017</u>
Danielle Langley	\$ 6,376	\$ 1,438
Renee Whitely	24,247	-

The following is a summary of amounts payable to related parties for the fiscal year ended June 30:

	<u>2018</u>	<u>2017</u>
Aroostook Council for Healthy Families	\$ 1,531	\$ 2,783
Franklin County Children's Task	2,594	58,951
Kids Free to Grow	1,462	24,149
KVCAP Kennebec County	56	14,500
KVCAP Somerset County	-	14,500
KVCAP Maine Families	-	48,921

NOTE 12: CONTINGENCIES

The Trust participates in various governmental grant programs, which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Trust's compliance with applicable grant requirements may be established at some future date. In the opinion of management, the amount, if any, of liabilities arising from the disallowance of expenditures or ineligibility of grant revenues is not significant, therefore, no provision has been recorded in the financial statements. All contract adjustments resulting from program compliance audits are recorded in the year in which the audit is finalized.

MAINE CHILDREN'S TRUST, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2018 AND 2017

NOTE 13: SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events through April 23, 2019, which represents the date on which the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of these financial statements.