

PLAN INTERNATIONAL USA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017



Report of Independent Auditors

To the Board of Directors of
Plan International USA, Inc.

We have audited the accompanying financial statements of Plan International USA, Inc. ("Plan"), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statement of functional expenses for the year ended June 30, 2018 and statements of activities and of cash flows for the years ended June 30, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 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 our 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, we consider internal control relevant to the Plan'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 Plan'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 Plan International USA, 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.



Other Matter

We previously audited the statement of financial position as of June 30, 2017, the related statements of activities, of functional expenses and of cash flows for the year then ended (not presented herein), and in our report dated November 10, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2017, and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

McLean, Virginia
November 13, 2018

PLAN INTERNATIONAL USA, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 9,510,285	\$ 8,271,989
Grants receivable	7,080,265	9,780,196
Prepaid expenses and other assets	774,102	2,096,660
Bequests and pledges receivable	8,858,925	6,258,837
Investments	17,388,701	15,545,541
Contributions receivable from charitable trusts	496,954	532,742
Beneficial interest in perpetual trusts	448,027	446,157
Land, building and equipment, net	<u>1,439,079</u>	<u>1,754,599</u>
Total assets	<u>\$ 45,996,338</u>	<u>\$ 44,686,721</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 1,515,160	\$ 1,954,324
Due to Plan International, Inc.	5,272,237	6,470,307
Obligation under split-interest agreements	<u>294,068</u>	<u>325,351</u>
Total liabilities	7,081,465	8,749,982
Net Assets:		
Unrestricted		
Land, building and equipment	1,439,079	1,754,599
Board-designated quasi endowments and similar funds	<u>13,013,270</u>	<u>9,135,844</u>
Total unrestricted	14,452,349	10,890,443
Temporarily restricted	14,700,916	15,376,752
Permanently restricted	<u>9,761,608</u>	<u>9,669,544</u>
Total net assets	<u>38,914,873</u>	<u>35,936,739</u>
Total liabilities and net assets	<u>\$ 45,996,338</u>	<u>\$ 44,686,721</u>

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

PLAN INTERNATIONAL USA, INC.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>				<u>2017</u>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:								
Sponsorship contributions	\$ 18,131,150	\$ 1,138,139	\$ -	\$ 19,269,289	\$ 18,058,221	\$ 1,201,385	\$ -	\$ 19,259,606
Private and federal grants and contracts	37,160,174	3,403,147	-	40,563,321	32,556,253	3,016,257	-	35,572,510
Contributions for community projects	2,031,216	4,167,399	-	6,198,615	1,522,329	4,095,010	-	5,617,339
Gifts-in-kind	2,390,619	-	-	2,390,619	5,749,510	1,186,710	-	6,936,220
Children's fund	1,916,100	-	-	1,916,100	1,778,586	-	-	1,778,586
Contributions from estates, trusts and annuities	5,065,076	400,000	-	5,465,076	6,713,025	40,000	-	6,753,025
Contributions to permanently restricted endowments	-	-	90,195	90,195	-	-	67,880	67,880
Net assets released from restrictions	10,402,807	(10,402,807)	-	-	8,654,206	(8,654,206)	-	-
Total public support and revenue	<u>77,097,142</u>	<u>(1,294,122)</u>	<u>90,195</u>	<u>75,893,215</u>	<u>75,032,130</u>	<u>885,156</u>	<u>67,880</u>	<u>75,985,166</u>
Investment income	95,456	162,623	-	258,079	56,730	874,554	-	931,284
Total operating revenue	<u>77,192,598</u>	<u>(1,131,499)</u>	<u>90,195</u>	<u>76,151,294</u>	<u>75,088,860</u>	<u>1,759,710</u>	<u>67,880</u>	<u>76,916,450</u>
Expenses:								
Program expenses:								
Program and technical support	54,946,949	-	-	54,946,949	46,358,306	-	-	46,358,306
Building relationships	820,940	-	-	820,940	968,839	-	-	968,839
Development education & advocacy programs	1,725,788	-	-	1,725,788	6,895,809	-	-	6,895,809
Total program expenses	<u>57,493,677</u>	<u>-</u>	<u>-</u>	<u>57,493,677</u>	<u>54,222,954</u>	<u>-</u>	<u>-</u>	<u>54,222,954</u>
Operating expenses:								
Fundraising	5,505,479	-	-	5,505,479	4,943,301	-	-	4,943,301
Management and general	10,679,642	-	-	10,679,642	10,245,181	-	-	10,245,181
Total operating expenses	<u>16,185,121</u>	<u>-</u>	<u>-</u>	<u>16,185,121</u>	<u>15,188,482</u>	<u>-</u>	<u>-</u>	<u>15,188,482</u>
Total expenses	<u>73,678,798</u>	<u>-</u>	<u>-</u>	<u>73,678,798</u>	<u>69,411,436</u>	<u>-</u>	<u>-</u>	<u>69,411,436</u>
Total operating results	<u>3,513,800</u>	<u>(1,131,499)</u>	<u>90,195</u>	<u>2,472,496</u>	<u>5,677,424</u>	<u>1,759,710</u>	<u>67,880</u>	<u>7,505,014</u>
Nonoperating results:								
Change in unrealized appreciation	48,205	461,724	-	509,929	109,163	169,676	-	278,839
Other non-operating results	(99)	(6,061)	1,869	(4,291)	(57,100)	28,639	17,030	(11,431)
Total nonoperating results	<u>48,106</u>	<u>455,663</u>	<u>1,869</u>	<u>505,638</u>	<u>52,063</u>	<u>198,315</u>	<u>17,030</u>	<u>267,408</u>
Total change in net assets	3,561,906	(675,836)	92,064	2,978,134	5,729,487	1,958,025	84,910	7,772,422
Net assets at beginning of year	10,890,443	15,376,752	9,669,544	35,936,739	5,160,956	13,418,727	9,584,634	28,164,317
Net assets at end of year	<u>\$ 14,452,349</u>	<u>\$ 14,700,916</u>	<u>\$ 9,761,608</u>	<u>\$ 38,914,873</u>	<u>\$ 10,890,443</u>	<u>\$ 15,376,752</u>	<u>\$ 9,669,544</u>	<u>\$ 35,936,739</u>

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

PLAN INTERNATIONAL USA, INC.
Statement of Functional Expenses

For the Year Ended June 30, 2018
With Summarized Financial Information for the Year Ended June 30, 2017

Natural Expense Classifications	Program Expenses				Operating Expenses			Total Expenses	
	Program and Technical Support	Building Relationships	Development Education & Advocacy	Total Program Expenses	Fundraising	Management and General	Total Operating Expenses	2018	2017
Program Support to Plan International, Inc.	\$ 43,734,725	\$ -	\$ -	\$ 43,734,725	\$ -	\$ -	\$ -	\$ 43,734,725	\$ 36,379,035
Gifts-in-kind	1,722,355	-	332,683	2,055,038	-	-	-	2,055,038	5,749,510
Salary and Salary Related	4,979,319	469,608	766,298	6,215,225	1,141,643	7,093,665	8,235,308	14,450,533	14,343,749
Marketing and Media	-	-	-	-	3,303,755	-	3,303,755	3,303,755	2,981,546
Supplies, Postage, and Printing	18,382	301,607	157,375	477,364	484,753	296,807	781,560	1,258,924	1,287,729
Professional & Consulting Fees	2,769,210	-	307,179	3,076,389	219,310	788,833	1,008,143	4,084,532	3,699,472
Occupancy, Repairs, Maintenance, and Service	424,776	37,680	61,545	524,001	159,695	1,284,437	1,444,132	1,968,133	1,831,979
Travel	1,066,463	-	57,682	1,124,145	102,695	347,896	450,591	1,574,736	1,716,117
Other	105,222	-	23,371	128,593	64,346	686,076	750,422	879,015	1,019,948
Depreciation of Equipment & Building	126,497	12,045	19,655	158,197	29,282	181,928	211,210	369,407	402,351
Total Expenses	\$ 54,946,949	\$ 820,940	\$ 1,725,788	\$ 57,493,677	\$ 5,505,479	\$ 10,679,642	\$ 16,185,121	\$ 73,678,798	\$ 69,411,436
Total 2017	\$ 46,358,306	\$ 968,839	\$ 6,895,809	\$ 54,222,954	\$ 4,943,301	\$ 10,245,181	\$ 15,188,482		

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

PLAN INTERNATIONAL USA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 2,978,134	\$ 7,772,422
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	369,407	402,351
Receipt of contributed securities	(1,241,162)	(411,974)
Receipt of permanently restricted funds	(90,195)	(67,880)
Net gain on sales of investments	(102,780)	(732,417)
Net impairment loss on investments	221,157	107,990
Increase in unrealized appreciation on investments	(509,929)	(278,839)
Decrease (increase) in:		
Grants receivable	2,699,931	(2,234,085)
Prepaid expenses and other assets	1,322,558	(1,144,479)
Bequests and pledges receivable	(2,600,088)	(5,920,079)
Contributions receivable from charitable remainder trusts	35,788	(3,704)
Beneficial interest in perpetual trusts	(1,870)	(17,030)
(Decrease) increase in:		
Accounts payable and other liabilities	(439,164)	220,459
Due to Plan International, Inc.	(1,198,070)	1,493,041
Obligation under split-interest agreements	(31,283)	(16,564)
Net cash provided by (used in) operating activities	<u>1,412,434</u>	<u>(830,788)</u>
<u>Cash flows from investing activities:</u>		
Purchases of investments	(7,738,621)	(6,322,116)
Proceeds from sales of investments	7,528,176	9,141,267
Purchases of fixed assets	(53,888)	(19,628)
Net cash (used in) provided by investing activities	<u>(264,333)</u>	<u>2,799,523</u>
<u>Cash flows from financing activities:</u>		
Receipt of permanently restricted funds	90,195	67,880
Net cash provided by financing activities	<u>90,195</u>	<u>67,880</u>
Net increase in cash and cash equivalents	1,238,296	2,036,615
Cash and cash equivalents, beginning of year	<u>8,271,989</u>	<u>6,235,374</u>
Cash and cash equivalents, end of year	<u>\$ 9,510,285</u>	<u>\$ 8,271,989</u>
Supplemental cash flow information:		
Noncash contributions	\$ 3,631,781	\$ 7,348,194

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

PLAN INTERNATIONAL USA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and purpose:

Plan International USA, Inc. ("Plan") is an independent, non-profit organization incorporated in the State of New York. It was founded in 1937 as Foster Parents' Plan for Spanish Children, Inc. for the purpose of seeking sponsors and other contributors to provide material aid and services to sponsored children, their families, and communities; assist sponsors in developing meaningful relationships with their sponsored children and families; and conduct educational programs in the United States about the needs of the poor in developing countries. Plan is the United States member organization of Plan International, Inc. ("PII"). Other member organizations of PII are located in Australia, Belgium, Canada, Colombia, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Japan, the Republic of Korea, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom. Plan and the other member organizations participate with PII in the planning, design and decisions about the implementation of overseas programs that are currently administered in fifty-three countries. Plan remits to PII the excess of its revenues received over current year operating expenses adjusted for the impact of various donor and Board designations.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting. All program and operating expenses are recognized as incurred.

Revenue recognition:

Contributions received by Plan are recorded as unrestricted, temporarily restricted or permanently restricted public support, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is recorded as an increase to either temporarily restricted or permanently restricted net assets based on the nature of the restriction.

Unrestricted net assets are those which are free of donor-imposed restrictions, but may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets arise from contributions and other inflows of assets whose use is limited by purpose-specific program restrictions and/or time restrictions imposed by the donor. When a temporary restriction expires through the accomplishment of the specific purpose and/or the expiration of the time restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenues.

Permanently restricted net assets result from contributions in which the donor requires that the principal of the contribution be maintained in perpetuity. Such net assets primarily include permanent endowment funds and perpetual trusts.

In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), Plan preserves the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, Plan classifies as permanently restricted net assets the original gift value of true endowments, plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of the true endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

Grant revenue recognition:

Plan receives grants from the United States Government and various other grantors for direct and indirect program costs associated with specific programs and projects. The grants received from the United States Government are subject to certain restrictions which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as temporarily restricted contribution revenue at the time the grant is received or pledged, and the funds are released from restriction when the qualifying expenses have been incurred.

Pledges:

Unconditional promises to give are recorded as temporarily restricted or permanently restricted public support at the time the donor’s commitment is received. Unconditional promises to give that are expected to be fulfilled within one year are recorded at their estimated fair value, less an appropriate reserve, if required. Multiyear unconditional promises to give are recognized at the estimated present value of the future cash flows, net of any necessary reserve. Conditional promises to give are not included as public support until such time as the conditions are substantially met. Plan had pledges receivable of \$50,000 and \$0 as of June 30, 2018 and 2017, respectively.

Cash and cash equivalents:

For purposes of the statements of financial position and the statements of cash flows, cash and cash equivalents are defined as cash on deposit, cash in overnight repurchase agreements, and interest-bearing money market accounts that are not restricted for endowment. The carrying amount approximates fair value due to the short-term nature of these instruments.

Contributed securities:

For the purpose of measuring the value of donations and the cost basis of contributed securities, the securities are stated at fair value on the date the gift was received.

Investments:

Plan reports all investments in mutual funds with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Additionally, realized gains/losses and changes in unrealized appreciation/depreciation and investment income are recorded in the statements of activities as changes in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or law, in which case they are reported in the appropriate restricted class of net assets. Investments as of June 30, 2018 and 2017, respectively, are stated at fair value based on quoted prices in the active market.

Reclassifications:

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

Fair value of financial instruments:

The fair value of Plan's financial instruments approximates the carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, bequests and pledges receivable, investments, split-interest agreements and payables.

Federal income taxes:

A favorable determination letter has been obtained from the Internal Revenue Service exempting the organization from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes on the change in net assets has been recorded.

Land, building and equipment:

Land, building and equipment are stated at cost less accumulated depreciation (Note 6).

Depreciation is provided under the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	5-50 years
Computer software	3-10 years
Equipment	3-5 years

When capital assets are disposed of, the asset and the associated accumulated depreciation are eliminated and any resulting gain or loss is reflected in the statements of activities.

Software costs are accounted for in accordance with guidance for internal-use software, which requires that certain costs related to developing or obtaining internal-use software should be capitalized. Additionally, costs incurred to develop and maintain the organization's website are accounted for in accordance with guidance for accounting for web site development costs.

Use of estimates:

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 for the period. Actual results could differ from those estimates.

Building relationships and development education and advocacy:

Two integral components of the Plan mission are Building Relationships and Development Education and Advocacy. In connection with the child sponsorship program, Plan provides a link between individuals in the United States and the children and families in Plan's program countries which facilitates two-way communications between sponsors and their sponsored children. Through correspondence and the exchange of small non-monetary gifts, meaningful relationships can be developed and the understanding between different cultures can be enhanced. Additionally, sponsors are able to build enhanced relationships and understanding through the periodic receipt of newsletters; updated family profiles for their sponsored families; and field program reports relating to some of the programs which have been implemented in specific communities to help improve lives.

Within the United States, Development Education and Advocacy programs strive to enhance the public's understanding of the causes and conditions of poverty in developing countries and the role that PII can have in the development process. Additionally, Plan facilitates engagement through group meetings, development of school curriculum and through advocacy which reinforces the communications around poverty and community development in the developing world. Further, Plan's domestic youth programs include educational outreach, organized retreats and other special events and activities for youth participation which are designed to help young people in the United States develop a better understanding of the challenges faced by youth in the developing world.

Gifts-in-kind:

Gifts-in-kind are reported as contributions at their estimated fair value on the date of receipt. During the fiscal years ended June 30, 2018 and 2017, respectively, Plan was a recipient of pro bono multi-platform media placement, medical supplies, and professional services totaling \$2,390,619 and \$6,936,220 respectively, reported on the statements of activities. Corresponding expenses of \$2,055,038 and \$5,749,510 were reported on the statements of functional expenses.

Recent accounting pronouncements:

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers and in June 2018, the FASB issued ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. These standards are effective for fiscal years beginning after December 15, 2018. Plan will continue to monitor and evaluate the impact this will have on the financial statements beginning in fiscal year 2020.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the lessees' balance sheet and disclosing key information about leasing arrangements for leases classified as operating leases under the previous GAAP. Under this update, lessees should recognize in the balance sheet as a liability to make lease payments and a right-of-use asset representing its right-to-use the underlying asset for the lease term. This new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. Plan is evaluating the impact this will have on the financial statements beginning in fiscal year 2020.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017. Plan will continue to monitor and evaluate the impact this will have on the financial statements beginning in fiscal year 2019.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): The new guidance requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. Plan will continue to monitor and evaluate the impact this will have on the financial statements beginning in fiscal year 2019.

NOTE 2 - GRANTS RECEIVABLE:

During the fiscal years ended June 30, 2018 and 2017, respectively, Plan incurred \$35,785,843 and \$31,514,661 of reimbursable Federal grant expenses relating to awards from the United States Agency for International Development ("USAID"), the United States Department of State, the United States Department of Labor, or as a sub recipient from other organizations that received Federal funds. For the same periods, Plan recorded additional grant revenue of \$4,777,478 and \$4,057,849 respectively, from other funders. Unreimbursed, but eligible expenses of \$7,080,265 and \$9,780,196 at June 30, 2018 and 2017, respectively, are recorded as grants receivable in the accompanying statements of financial position.

NOTE 3 - INVESTMENTS:

Investments are composed of the following as of:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 188,139	\$ 188,139	\$ 157,179	\$ 157,179
Mutual funds	15,636,910	17,188,792	14,320,536	15,362,473
Government sponsored securities	11,770	11,770	24,406	24,406
Stocks/other	-	-	1,467	1,483
Totals	<u>\$15,836,819</u>	<u>\$17,388,701</u>	<u>\$ 14,503,588</u>	<u>\$15,545,541</u>

Investment income, net of investment management fees of approximately \$30,761 and \$30,073 for the fiscal years ended June 30, 2018 and 2017, respectively, is included in total public support and revenue on the accompanying statements of activities and is composed of the following for the years ended:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Interest and dividends	\$ 376,456	\$ 306,857
Net gain on sales of investments	102,780	732,417
Net impairment loss on investments	<u>(221,157)</u>	<u>(107,990)</u>
Total investment income	<u>\$ 258,079</u>	<u>\$ 931,284</u>

NOTE 4 - SPLIT-INTEREST AGREEMENTS:

Plan is a party to various types of split-interest agreements. Charitable gift annuities ("CGAs") are arrangements whereby a donor contributes assets in exchange for a promise from Plan to pay the donor a fixed amount for a specified period of time. Assets received are recognized at fair value, and an annuity payment liability is recognized at the present value of the future cash flows expected to be paid. Unrestricted contribution revenue is recognized as the difference between these two amounts. To calculate the present value of the CGAs, the 1994 Group Annuity Mortality Tables and the actual rates in each annuity agreement were used. The value of CGAs of \$564,135 and \$609,095 at June 30, 2018 and 2017, respectively, is included in investments on the accompanying statements of financial position. The related liabilities of \$292,463 and \$319,426 at June 30, 2018 and 2017, respectively, are included in obligation under split-interest agreements on the accompanying statements of financial position.

Pooled income funds (“PIFs”) are arrangements whereby several donors’ life income gifts are invested and pooled together, and each donor is assigned a relative number of units in the fund. Contribution revenue has been recorded at the fair value of the assets to be received, discounted at 6.00% over the estimated life expectancy of the donor. The difference between the fair value of the assets received and the revenue recognized is recorded as deferred revenue, representing the amount of discount for future interest. Until the donor’s death, the donor is paid the actual income earned on the donor’s units of the fund. Upon the donor’s death, the value of the assigned units reverts to Plan. The value of PIFs of \$10,109 and \$29,681 at June 30, 2018 and 2017, respectively, is included in investments on the accompanying statements of financial position. The related liabilities of \$1,605 and \$5,925 at June 30, 2018 and 2017, respectively, are included in obligation under split-interest agreements on the accompanying statements of financial position.

A beneficial interest in a perpetual trust is an arrangement in which a donor establishes and funds a perpetual trust for the benefit of one or more non-profit beneficiaries. The assets are administered and managed by an independent third-party. Under the terms of these arrangements, Plan has the irrevocable right to receive the investment income earned on the trust assets in perpetuity. The value of these perpetual trusts of \$448,027 and \$446,157 at June 30, 2018 and 2017, respectively, is included in beneficial interest in perpetual trusts on the accompanying statements of financial position.

Additionally, there are various trusts that have several different varieties and terms. With regard to these trusts under which Plan is a beneficiary, the assets are administered and managed by an independent third-party. The value of such trusts of \$496,954 and \$532,742 at June 30, 2018 and 2017, respectively, is included in contributions receivable from charitable trusts on the accompanying statements of financial position.

During the fiscal years ended June 30, 2018 and 2017, respectively, Plan recorded contribution revenue related to split interest agreements of \$13,226 and \$13,158.

NOTE 5 - FAIR VALUE MEASUREMENTS:

Plan establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest level of 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 this standard are as follows:

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the

lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes “observable” requires significant judgment by Plan.

Plan considers observable data to be that market data which is readily available; regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Plan's perceived risk of that instrument. Plan uses prices and inputs that are current as of the measurement date.

The availability of observable inputs can vary from product to product and is affected by many factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

Accordingly, the degree of judgment exercised by Plan in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, Plan separates the investment portfolio into the following categories: mutual funds, government sponsored securities, stocks, split-interest agreements and cash equivalents.

Mutual funds: Mutual funds include investments in common stock. Plan's actively traded mutual funds are listed on a national exchange. Therefore, they are valued at the last price quoted by the exchange and are categorized as Level 1.

Government sponsored securities: Government sponsored securities include investments in various U.S. Treasury instruments (such as mortgage-backed securities and asset-backed securities, and bank debt). Government sponsored securities are based upon market price quotations and are categorized as Level 1.

Cash equivalents: Cash equivalents principally include shares owned in money market funds and are categorized as Level 1.

Stocks: The fair values of publicly traded fixed income and equity securities are based on quoted market prices and are generally categorized as Level 1. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof).

Split-interest agreements: Investments for split-interest agreements primarily consist of Charitable Gift Annuities, Irrevocable Charitable Remainder Unitrusts (“CRUTs”), Pooled Income Funds, Charitable Lead Trust, and Perpetual Trusts. Investments are fair valued using the present value of future commitments. These amounts include equities and fixed income investments. Associated liabilities are recorded, and fair valued, each reporting period. The liabilities are fair valued using a discounted cash approach, which is consistent with the exit value Plan would pay to relieve its liability at year-end.

The following table presents the financial instruments carried on the statements of financial position as of June 30, 2018:

Assets and Liabilities at Fair Value as of June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	Quoted Prices	Other Significant Observable Inputs	Significant Unobservable Inputs	
<u>Cash equivalents</u>				
Money Market Funds	\$ 498,828	\$ -	\$ -	\$ 498,828
Total Cash Equivalents	<u>\$ 498,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,828</u>
<u>Investments</u>				
Money Market Funds	\$ 188,139	\$ -	\$ -	\$ 188,139
Mutual Funds	16,626,318	-	-	16,626,318
Total Investments	<u>\$ 16,814,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,814,457</u>
<u>Organizational interest in trusts</u>				
Contributions receivable from charitable remainder trusts	\$ 370,479	\$ -	\$ -	\$ 370,479
Contributions receivable from charitable lead trusts	126,475	-	-	126,475
Beneficial interest in perpetual trusts	-	-	448,027	448,027
	<u>\$ 496,954</u>	<u>\$ -</u>	<u>\$ 448,027</u>	<u>\$ 944,981</u>
<u>Assets of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ 562,474	\$ -	\$ -	\$ 562,474
Money Market Funds	11,770	-	-	11,770
Total Assets of CGA and PIF	<u>\$ 574,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,244</u>
<u>Liabilities of charitable gift annuities and pooled income fund</u>				
CGA and PIF	\$ -	\$ -	\$ 294,068	\$ 294,068
Total Liabilities of CGA and PIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,068</u>	<u>\$ 294,068</u>

The following table presents the financial instruments carried on the statements of financial position as of June 30, 2017:

Assets and Liabilities at Fair Value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	Quoted	Other Significant Observable Inputs	Significant Unobservable Inputs	
	<u>Prices</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>Cash equivalents</u>				
Money Market Funds	\$ 1,931,348	\$ -	\$ -	\$ 1,931,348
Total Cash Equivalents	<u>\$ 1,931,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,931,348</u>
<u>Investments</u>				
Money Market Funds	\$ 157,179	\$ -	\$ -	\$ 157,179
Mutual Funds	14,748,103	-	-	14,748,103
Stocks/other	1,483	-	-	1,483
Total Investments	<u>\$ 14,906,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,906,765</u>
<u>Organizational interest in trusts</u>				
Contributions receivable from charitable remainder trusts	\$ 380,971	\$ -	\$ -	\$ 380,971
Contributions receivable from charitable lead trusts	151,771	-	-	151,771
Beneficial interest in perpetual trusts	-	-	446,157	446,157
	<u>\$ 532,742</u>	<u>\$ -</u>	<u>\$ 446,157</u>	<u>\$ 978,899</u>
<u>Assets of charitable gift annuities and pooled income fund</u>				
Mutual Funds	\$ 614,370	\$ -	\$ -	\$ 614,370
Money Market Funds	24,406	-	-	24,406
Total Assets of CGA and PIF	<u>\$ 638,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,776</u>
<u>Liabilities of charitable gift annuities and pooled income fund</u>				
CGA and PIF	\$ -	\$ -	\$ 325,351	\$ 325,351
Total Liabilities of CGA and PIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,351</u>	<u>\$ 325,351</u>

The following table includes a roll forward of the amounts for the twelve months ended June 30, 2018 for financial instruments classified within Level 3:

	<u>Level 3 Assets and Liabilities at Fair Value</u>	
	Split Interest Agreements	
	Perpetual Trusts	CGAs/PIFs
	Assets	Liabilities
Balance as of June 30, 2017	\$ 446,157	\$ 325,351
Additions	-	11,774
Disbursements	(19,923)	(63,998)
Fees	(7,515)	-
Dividends and interest	9,142	-
Net appreciation	20,166	-
Change in actuarial calculation	-	20,941
Balance as of June 30, 2018	<u>\$ 448,027</u>	<u>\$ 294,068</u>

The following table includes a roll forward of the amounts for the twelve months ended June 30, 2017 for financial instruments classified within Level 3:

	<u>Level 3 Assets and Liabilities at Fair Value</u>	
	Split Interest Agreements	
	Perpetual Trusts	CGAs/PIFs
	Assets	Liabilities
Balance as of June 30, 2016	\$ 429,127	\$ 341,915
Additions	-	11,842
Disbursements	(20,848)	(46,059)
Fees	(7,250)	-
Dividends and interest	9,089	-
Net appreciation	36,039	-
Change in actuarial calculation	-	17,653
Balance as of June 30, 2017	<u>\$ 446,157</u>	<u>\$ 325,351</u>

NOTE 6 - LAND, BUILDING AND EQUIPMENT:

Land, building and equipment is composed of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 184,588	\$ 184,588
Building and building improvements	3,200,943	3,195,163
Computer software	1,603,242	1,555,134
Equipment	970,696	1,068,753
Subtotal	<u>5,959,469</u>	<u>6,003,638</u>
Less: accumulated depreciation	<u>(4,520,390)</u>	<u>(4,249,039)</u>
Total	<u>\$ 1,439,079</u>	<u>\$ 1,754,599</u>

NOTE 7 – OBLIGATIONS UNDER LEASES:

Plan has entered into various lease agreements for certain office space. Rent expense under such agreements was \$956,978 and \$1,403,820 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the future minimum rental commitments under such lease agreements are as follows:

Year Ending <u>June 30,</u>	
2019	\$ 888,520
2020	910,757
2021	<u>232,364</u>
Total Minimum Payments	<u>\$ 2,031,641</u>

NOTE 8 – LINE OF CREDIT:

On July 31, 2012, Plan entered into a revolving line of credit agreement that provides for maximum borrowings of \$2,000,000 to be used for working capital. On November 20, 2015, Plan amended the agreement to increase the maximum borrowing amount to \$4,000,000. Under the terms of the agreement, the interest on the outstanding balance is the LIBOR daily floating rate plus 2.5%. The principal balance can be prepaid in full or in part at any time without incurring a prepayment fee or premium, and is payable in full on the expiration date. The facility is secured by all personal property owned by Plan and contains certain restrictive covenants, including annual maintenance of a debt service coverage ratio of at least 1.0 to 1.0 to the extent Plan has any outstanding debt balance at fiscal year-end.

In conjunction with the aforementioned leases, Plan was required to provide a standby letter of credit in the amount of \$500,000. As a result, Plan's existing line of credit provides for maximum borrowings of \$3,500,000.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are restricted for the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Time restricted for sponsorship	\$ 1,635,584	\$ 1,331,986
Purpose restricted for grants & community projects	10,160,019	11,029,096
Unappropriated endowment income	2,526,870	2,611,959
Contributions receivable from charitable remainder trusts	370,479	380,971
Pooled income fund agreements	7,964	22,740
	<u>\$ 14,700,916</u>	<u>\$ 15,376,752</u>

Net assets were released for the following purposes:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Designated project funds disbursed on specified project or purpose	\$ 8,439,624	\$ 6,748,807
Release of time restricted sponsorship funds	1,234,541	1,179,973
Appropriation of endowment fund earnings	709,436	725,426
Net change in value of split interest agreements	19,206	-
	<u>\$ 10,402,807</u>	<u>\$ 8,654,206</u>

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are composed of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Endowment funds	\$ 9,313,582	\$ 9,223,387
Perpetual trusts	<u>448,026</u>	<u>446,157</u>
	<u>\$ 9,761,608</u>	<u>\$ 9,669,544</u>

These amounts represent the investment of contributed principal that has been restricted by the donor in perpetuity as well as the beneficial interest that Plan has in certain third-party perpetual trusts. Unless there are specific donor stipulations or Board of Directors designations, the related investment income is used to support program and operating expenses.

NOTE 11 - ENDOWMENTS:

Plan's endowment consists of approximately 262 individual funds established primarily for unrestricted purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Plan's management has interpreted the State of New York's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). The term historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, Plan classifies as permanently restricted net assets (a) the original value of gifts donated to permanently restricted net assets, (b) the original value of subsequent gifts to the permanent endowment, and (c) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. 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 or unrestricted net assets in accordance with the terms of the donor's restriction. There were \$2,526,870 and \$2,611,959 of temporarily restricted net assets related to Plan's endowment funds at June 30, 2018 and 2017, respectively.

Management further understands that expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), and to the extent that such expenditure is prudent, considering the long and short term needs of Plan in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Plan's Board of Directors established a spending rate of up to 7% of the endowment fund's fair value, except for donor-restricted endowments where spending is based on donor stipulations. This spending policy is consistent with Plan's objectives to maintain the purchasing power of the assets through long-term returns which provide for future growth of the endowment while also generating current income to support mission critical programs or operating expenses.

Plan, in compliance with NYPMIFA, notified available donors who had established endowments prior to June 30, 2011 of the new law, and offered these donors the option of requiring Plan to maintain historical dollar value for their endowment funds. For those donors who requested this option, Plan has designed procedures to ensure that the historical dollar value is maintained by not expending the payout on any fund whose fair value is less than its historical dollar value (i.e., "underwater").

The activities relating to endowment net assets are displayed in the following table:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets as of June 30, 2017	<u>\$ 1,728,947</u>	<u>\$ 2,611,959</u>	<u>\$ 9,214,489</u>	<u>\$ 13,555,395</u>
Investment return:				
Investment income	23,724	162,623	-	186,347
Net change in unrealized appreciation	<u>66,584</u>	<u>461,724</u>	<u>-</u>	<u>528,308</u>
Total investment income	90,308	624,347	-	714,655
Contributions	-	-	99,093	99,093
Appropriation of endowment assets for expenditures	<u>(123,714)</u>	<u>(709,436)</u>	<u>-</u>	<u>(833,150)</u>
Net assets as of June 30, 2018	<u>\$ 1,695,541</u>	<u>\$ 2,526,870</u>	<u>\$ 9,313,582</u>	<u>\$ 13,535,993</u>

Donor-restricted endowment funds that can be used to support operations are invested in income-generating investment vehicles or, to the extent that historic dollar value is sustained, in investment vehicles that may generate appreciation while ensuring the preservation of capital. Funds that are restricted for a specific use by the donor or by law, or those that are board-designated, are invested in investment vehicles that afford opportunities for appreciation. In general, the endowment funds are invested for growth in funds that all have net asset values that are available daily and which meet certain quality criteria.

Plan's endowments consisted of the following net asset composition by type of fund as of June 30, 2018 and 2017, respectively:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals as of June 30, 2018</u>
Donor-restricted endowment funds	\$ -	\$ 2,526,870	\$ 9,313,582	\$ 11,840,452
Board designated endowment funds	1,695,541	-	-	1,695,541
Total endowment funds	<u>\$ 1,695,541</u>	<u>\$ 2,526,870</u>	<u>\$ 9,313,582</u>	<u>\$ 13,535,993</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals as of June 30, 2017</u>
Donor-restricted endowment funds	\$ -	\$ 2,611,959	\$ 9,214,489	\$ 11,826,448
Board designated endowment funds	1,728,947	-	-	1,728,947
Total endowment funds	<u>\$ 1,728,947</u>	<u>\$ 2,611,959</u>	<u>\$ 9,214,489</u>	<u>\$ 13,555,395</u>

NOTE 12 - RELATED PARTY TRANSACTIONS:

For each fiscal year, Plan transmits to PII the net of total revenue recorded for the year plus amounts of revenue received in prior years that were temporarily restricted by the donors, but have become unrestricted in the current year minus the sum of (a) total operating expenses for the year, (b) amounts of revenue for the year that have been permanently restricted by donors, (c) amounts of revenue for the year that have been temporarily restricted by donors and remain restricted at year-end and (d) amounts otherwise designated by the Board of Directors. These net amounts for the years ended June 30, 2018 and 2017 were \$43,734,725 and \$36,379,035 respectively, and are included in program and technical support expense on the accompanying statements of activities. These amounts, when combined with the amounts sent to PII by the other National Organizations, are the resources that are used by PII to fund the programmatic and other operating costs of its field operations and international headquarters. Due to certain timing differences, the amount of cash actually transmitted through the end of each fiscal year is not equal to the net amount discussed above, but prior to the year-end Plan provides PII with an unconditional promise to adjust the remittances to reflect the net amount discussed above. The accompanying statements of financial position include a liability of \$5,272,237 and \$6,470,307 at June 30, 2018 and 2017, respectively, in relation to this unconditional promise.

NOTE 13 - RETIREMENT PLAN:

Plan offers a contributory, defined contribution retirement plan (“the plan”) for the benefit of all qualified employees. In order to be qualified for employer contributions, an employee must have completed one year of service, must have worked at least 1,000 hours per year and be at least 21 years of age. Plan makes contributions at designated percentages of earnings in accordance with the plan provisions. Employer contributions totaled \$780,627 and \$753,639 for the years ended June 30, 2018 and 2017, respectively.

NOTE 14 – COMMITMENTS & CONTINGENCIES:

Amounts received and expended by Plan under various federal programs are subject to audit by governmental agencies. In the opinion of Plan’s management, audit adjustments, if any, will not have a significant effect on the financial position, changes in net assets, or cash flows of Plan.

Plan is a party to various litigation arising out of the normal conduct of its operations. In the opinion of Plan’s management, the ultimate resolution of these matters will not have a materially adverse effect on Plan’s financial position, changes in net assets or cash flows.

NOTE 15 – SUBSEQUENT EVENTS:

Plan has evaluated subsequent events through November 13, 2018, the date the report was available to be issued.