JohnsonLambert LLP
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Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2018 and 2017
with Report of Independent Auditors

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2018 and 2017

Contents

Report of Independent Auditors

Board of Directors
Prevent Child Abuse America
Chicago, Illinois

We have audited the accompanying financial statements of Prevent Child Abuse America which comprise the statements of financial position as of December 31, 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 audit. We conducted our audit 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Child Abuse America as of December 31, 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.

Johnson Lambert LLP

Park Ridge, Illinois
April 22, 2019

Prevent Child Abuse America

Statements of Financial Position

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 4,864,128	$ 3,576,834
Undeposited Funds	177,328	-
Accounts receivable, net	238,437	206,010
Bequest Receivables, net	848,903	1,265,026
Deposit and prepaid expenses	65,681	111,475
Endowment investments	3,766,587	4,368,831
Unrestricted investments	1,115,184	-
Copyright, net	171,771	206,125
Furniture and equipment, net	52,527	19,846
Total assets	$ 11,300,546	$ 9,754,147
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 117,105	$ 74,435
Accrued expenses	165,955	38,108
Deferred revenue	78,855	40,955
Total liabilities	361,915	153,498
Net assets:		
Without donor restrictions	5,850,800	4,008,707
With donor restrictions	5,087,831	5,591,942
Total net assets	10,938,631	9,600,649
Total liabilities and net assets	$ 11,300,546	$ 9,754,147

Prevent Child Abuse America

Statements of Activities

Years ended December 31, 2018 and 2017

	Without donor restrictions		With donor restrictions		Total	
	2018	2017	2018	2017	2018	2017
Public support and other revenue						
Public support - contributions						
Individuals - workplace campaign	$ 153,508	$ 94,807	$ -	$ -	$ 153,508	$ 94,807
Individuals and family foundations	1,114,068	1,783,851	48,885	1,104,819	1,162,953	2,888,670
Associations and corporations	1,305,457	1,001,767	78,500	105,000	1,383,957	1,106,767
Programs and conferences	3,346,933	3,483,398	-	-	3,346,933	3,483,398
Special events and pinwheels, net of direct benefit to donors of $0 in 2018 and 2017	244,495	179,336	-	-	244,495	179,336
Total public support	6,164,461	6,543,159	127,385	1,209,819	6,291,846	7,752,978
Other revenue:						
Royalty income	52,185	70,594	-	-	52,185	70,594
Investment return, net	38,469	43,084	(134,244)	-	(95,775)	43,084
Other	262	8,000	-	-	262	8,000
Total other revenue and support	90,916	121,678	(134,244)	-	(43,328)	121,678
Net assets released from restrictions	497,252	89,626	(497,252)	(89,626)	-	-
Total public support and other revenue	6,752,629	6,754,463	(504,111)	1,120,193	6,248,518	7,874,656
Expenses						
Program services	4,484,074	4,447,772	-	-	4,484,074	4,447,772
Supporting services	426,462	348,236	-	-	426,462	348,236
Total expenses	4,910,536	4,796,008	-	-	4,910,536	4,796,008
Change in net assets from operations	1,842,093	1,958,455	(504,111)	1,120,193	1,337,982	3,078,648
Other changes:						
Investment return in excess of amounts designated for current operations	-	-	-	463,239	-	463,239
Change in net assets	1,842,093	1,958,455	(504,111)	1,583,432	1,337,982	3,541,887
Net assets, beginning of period	4,008,707	2,050,252	5,591,942	4,008,510	9,600,649	6,058,762
Net assets, end of period	$ 5,850,800	$ 4,008,707	$ 5,087,831	$ 5,591,942	$ 10,938,631	$ 9,600,649

See accompanying notes to the financial statements

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 123,783	$ 132,228	$ 1,549,104	$ 178,688	$ 199,833	$ 2,183,636	$ 96,908	$ 136,866	$ 233,774	$ 2,417,410
Benefits	11,947	12,501	178,360	14,722	17,865	235,395	7,666	11,988	19,654	255,049
Payroll taxes	8,401	9,096	105,675	12,118	13,705	148,995	6,315	9,549	15,864	164,859
Other	611	610	8,438	849	964	11,472	438	664	1,102	12,574
Accounting, auditing, legal and consulting	50,591	26,580	319,133	92,188	33,547	522,039	16,207	61,619	77,826	599,865
Other services	1,483	3,902	18,434	1,705	1,743	27,267	2,660	1,546	4,206	31,473
Occupancy	5,320	4,645	78,335	6,572	8,122	102,994	3,611	5,048	8,659	111,653
Telephone	1,290	2,331	8,631	1,749	1,550	15,551	409	592	1,001	16,552
Office expenses and supplies	51,224	3,901	70,058	8,693	7,383	141,259	4,682	32,583	37,265	178,524
Printing and material development	2,815	121	1,749	162	190	5,037	85	1,428	1,513	6,550
Travel and HFA expense	9,503	13,781	954,320	14,864	72,597	1,065,065	1,322	7,684	9,006	1,074,071
Special events and pinwheels	36,613	-	-	-	-	36,613	-	14,019	14,019	50,632
Strategic plan expenses	853	6,196	10,404	1,313	1,296	20,062	625	999	1,624	21,686
Bad debt expense	-	-	(82,433)	-	-	(82,433)	-	-	-	(82,433)
Depreciation and amortization	644	480	48,245	707	1,046	51,122	412	537	949	52,071
Total functional expenses	$ 305,078	$ 216,372	$ 3,268,453	$ 334,330	$ 359,841	$ 4,484,074	$ 141,340	$ 285,122	$ 426,462	$ 4,910,536

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2017

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 155,017	$ 116,821	$ 1,433,948	$ 123,219	$ 149,048	$ 1,988,053	$ 50,114	$ 103,474	$ 153,588	$ 2,141,641
Benefits	16,107	2,541	166,471	12,820	16,727	214,666	5,481	10,988	16,469	231,135
Payroll taxes	11,758	11,747	104,124	8,996	10,812	147,437	3,599	7,571	11,170	158,607
Other	414	205	4,086	342	427	5,474	152	296	448	5,922
Accounting, auditing, legal and consulting	58,162	17,255	189,163	69,100	23,451	357,131	12,792	73,587	86,379	443,510
Other services	2,160	646	15,709	2,288	1,798	22,601	747	1,323	2,069	24,670
Occupancy	7,451	2,415	70,845	5,306	6,893	92,910	2,087	4,510	6,597	99,507
Telephone	1,854	2,163	13,580	1,815	1,708	21,120	244	654	898	22,018
National conference			3,409			3,409				3,409
Office expenses and supplies	5,430	2,158	51,503	5,945	6,938	71,974	2,921	35,248	38,169	110,143
Printing and material development	5,155	203	4,190	339	320	10,207	77	2,962	3,040	13,247
Travel and HFA expense	46,980	16,602	1,144,112	13,026	82,430	1,303,150	2,237	10,663	12,900	1,316,050
Special events and pinwheels	18,682	-	-	-	-	18,682	-	16,252	16,252	34,934
Bad debt expense			139,379		2,075	141,454				141,454
Depreciation and amortization	333	75	48,211	209	676	49,504	77	180	257	49,761
Total functional expenses	$ 329,503	$ 172,831	$ 3,398,730	$ 243,405	$ 303,303	$ 4.447,772	$ 80,528	$ 267,708	$ 348,236	$ 4,796,008

See accompanying notes to the financial statements

Prevent Child Abuse America

Statements of Cash Flows

	Years ended December 31, 2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,337,982	$ 3,541,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,071	49,761
Change in market value of investments	220,956	(422,062)
Discount on long-term receivables	(39,445)	195,180
Allowance for doubtful accounts	(83,102)	102,000
Changes in assets and liabilities:		
Undeposited Funds	(177,328)	-
Bequests receivable	455,569	(1,460,206)
Accounts receivable	50,675	94,481
Other assets	45,794	(94,562)
Accounts payable	111,660	23,922
Accrued bonus	58,856	(977)
Deferred revenue	37,900	(53,725)
Net cash provided by operating activities	2,071,588	1,975,699
Cash flows from investing activities		
Proceeds from sales of investments	468,000	808,938
Purchase of investments and reinvested earnings	(1,201,896)	(840,715)
Purchase of copyright	-	(242,500)
Purchase of fixed assets	(50,398)	(9,788)
Net cash used in investing activities	(784,294)	(284,065)
Net change in cash and cash equivalents	1,287,294	1,691,634
Cash and cash equivalents, beginning of year	3,576,834	1,885,200
Cash and cash equivalents, end of year	$ 4,864,128	$ 3,576,834

See accompanying notes to the financial statements

Prevent Child Abuse America

Notes to Financial Statements

Years ended December 31, 2018 and 2017

Note A - Nature of Activities

Prevent Child Abuse America is an organization established for the purpose of building a nationwide commitment to prevent child abuse in all its forms. Prevent Child Abuse America is supported primarily by contributions and grants from corporations, foundations and individuals and from fees for services. Program services include Prevention Education, Prevention Research, Prevention Programs, Prevention Advocacy, and Chapter Activities. Management and General and Advancement are classified under supporting services.

Note B - Summary of Significant Accounting Policies

Basis of 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 (GAAP). Accordingly, net assets of Prevent Child Abuse America and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Net assets that are not subject to donor imposed stipulations and include board designated funds. In December 2017, the Board of Directors approved the establishment of an Operating Reserve Fund. The purpose of the board designated fund is to build and maintain an adequate level of net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, rebranding, investment in infrastructure, or a temporary lapse in core program funding. Prevent Child Abuse America completed the initial funding of $1.1 million in the first quarter of 2018. Subsequent annual funding will be no less than the 25% of the increase in net assets without donor restriction over the prior year end balance.

Net Assets with Donor Restriction - Net assets subject to donor imposed restrictions. Some net assets are subject to donor-imposed stipulations that may or will be met, either by actions of Prevent Child Abuse America and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (generally, the donors of these assets permit Prevent Child Abuse America to use all or part of the income earned on these investments for general operations). Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Subsequent Events
Prevent Child Abuse America has performed an evaluation of subsequent events through April 22, 2019, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Note B - Summary of Significant Accounting Policies (Continued)

Contributions
Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using adjusted risk-free interest rates applicable to the years in which the promises were received.

Prevent Child Abuse America uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Beneficial Interest in Trusts
Prevent Child Abuse America is the income beneficiary under various charitable trusts, the corpus of which is not controlled by the management of Prevent Child Abuse America. Although Prevent Child Abuse America has no control over the administration or investment of the funds held in the charitable trusts, in accordance with GAAP, the current fair value of the beneficial interest in the charitable trusts is recognized as bequest receivable in the accompanying financial statements.

Cash and Cash Equivalents
Prevent Child Abuse America considers cash deposited in banks and money market fund investments to be cash equivalents, with the exception of the cash that is included in the investment portfolio. That cash is designated for long-term investment purposes.

Accounts Receivable
Accounts receivable include amounts related to training fees, publications and other services and are reflected on the statement of financial position net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience with the customer. Management will record adjustments as necessary, which are reflected in the statement of activities. For the years ended December 31, 2018 and 2017, Prevent Child Abuse America recorded $(82,433) and $141,454, respectively as bad debt expense.

Copyright
Copyright is recorded at cost, net of amortization. The copyright is being amortized over its estimated useful life of 6 years.

Contributed Services and Materials
Donated services and materials are reported as contribution revenue and as assets and expenses only if the services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at their fair value.

Note B - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment
Furniture and equipment are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Prevent Child Abuse America reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Prevent Child Abuse America reclassifies restricted net assets to net assets without donor restrictions at that time.

Prevent Child Abuse America depreciates furniture, fixtures and office equipment over their estimated useful lives, typically 5 years, using the straight-line method.

Functional Allocation of Expenses
The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Costs that meet the criteria for allocation are allocated on the basis of employee time and effort.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments
Prevent Child Abuse America carries investments at fair value and reports gains and losses in the statement of activities. The fair value of investments are based on quoted market prices at the reporting date.

Prevent Child Abuse America invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statement of financial position.

The Board of Directors designates a portion of Prevent Child Abuse America's total investment return for support of current operations in accordance with the Board's investment policy.

Note B - Summary of Significant Accounting Policies (Continued)

Deferred Revenue
Deferred revenue consists of conference registration, training and affiliation fees paid in advance. Conference registration and training fees are recorded when the conference or training occurs and affiliation revenues are recorded in the year in which they relate.

Concentration of Credit Risk
Throughout the year, Prevent Child Abuse America may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Income Taxes
Prevent Child Abuse America is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that there are no uncertain tax positions as of December 31, 2018 and 2017 and that Prevent Child Abuse America has properly maintained its exempt status.

Recent Accounting Pronouncements
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14 Not for Profit Entities (topic 958) Presentation of Financial Statements of Not-for-Profit-Entities. The amendments in this update are designed to improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The amendments in the ASU are effective for annual periods beginning after December 15, 2017. Management adopted the provisions of this ASU as of and for the year ended December 31, 2018. The adoption of the ASU did not have an effect on the amounts reported in the financial statements. However, wording used in net asset classifications have been renamed and footnote disclosures including disclosures about liquidity of resources have been enhanced.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (topic 606). The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The amendments in the ASU are effective for annual periods beginning after December 15, 2018 using either of two methods: (1) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined with the ASU; or (2) retrospective with the cumulative effect of initial adoption recognized at the date of initial application. Management has not yet selected a transition method and is currently evaluating the effects that the ASU will have on the financial statements.

Note B - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)
In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting for Contributions Received and Contributions Made (topic 958). The core principle of ASU 2018-08 is to clarify when the transfer of an asset or the extinguishment of a liability (the transaction) meets the definition of an exchange transaction or a contribution. When the transaction is an exchange transaction, an entity must apply Topic 606, Revenue from Contracts with Customers or other applicable Topics. When the transaction is a contribution, the ASU clarifies when the contribution is conditional and when revenue should be recognized. The amendments in the ASU are effective for annual periods beginning after December 15, 2018 for contributions received. Effective for fiscal years beginning after December 15, 2019 for contributions made. Early adoption is permitted. Management is evaluating the impact the amendments in this ASU will have on the financial statements.

In February 2016, the FASB issued amendments to ASU 2016-02, Leases. Among other things, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right of use asset, which is an asset that represents the lessee's right to use, or control the use of a specified asset for the lease term. The amendments in the ASU are effective for nonpublic business entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact the amendments in this ASU will have on the financial statements.

Note C - Accounts Receivable

Accounts receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Grant and pledges receivable expected to be collected in less than one year	$ 10,900	$ 81,401
Healthy Families America	214,080	219,741
Other receivables	39,790	14,303
Less allowance for uncollectible accounts	(26,333)	(109,435)
Accounts receivables, net	$ 238,437	$ 206,010

Note D – Bequests Receivable

Bequest Receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Short term bequest	$ -	$ 312,706
Long term installment bequest	1,004,639	1,147,500
Less discount	(155,736)	(195,180)
	$ 848,903	$ 1,265,026

Note E – Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2018
Cash and cash equivalents	$ 4,864,128
Undeposited Funds	177,328
Accounts Receivable, net	238,437
	$ 5,279,893

Endowment funds consist of two donor-restricted endowments. Investment earnings from donor-restricted endowments is available to support general operations. Investment earnings, net of related investment expenses are recorded as net assets with donor restrictions until the appropriated by the board of directors at which time net assets with donor restrictions are released from donor restriction and reported as net assets without donor restrictions. Donor-restricted endowment funds are not available for general expenditure.

Prevent Child Abuse America also has $1,115,184 in investments that are not subject to donor restriction. $1,114,229 of unrestricted investments have been designated by the Board, see Note G.

Note F - Net Assets with Donor Restriction

Net assets with donor restrictions at December 31 are restricted for the following purposes:

	2018	2017
Adverse Childhood Experiences	$ 2,500	$ 2,500
Advocacy and Education	1,125,705	1,104,873
Funds for Individuals in Need of PCAA's Services	25,000	25,000
Peer-to-Peer Abuse (Bullying) Prevention	144,539	90,739
Verizon Grant for National Conference 2019	23,500	-
Endowment assets (Note N)	3,766,587	4,368,830
Total	$ 5,087,831	$ 5,591,942

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by the passage of time as follows for the year ended December 31:

	2018	2017
Advocacy and Education	$ 25,052	$ 26,328
Child Sexual Abuse Prevention	-	10,565
Healthy Families America	3,000	35,000
Peer-to-Peer Abuse (Bullying) Prevention	1,200	16,233
Transfer to Operating Reserve	468,000	-
Social Norming Regarding Child Abuse	-	1,500
Total	$ 497,252	$ 89,626

Note G - Net Assets without Donor Restriction

The Board of Directors has designated, from net assets without donor restriction, net assets for the following purposes as of December 31:

	2018	2017
Operating reserve	$ 1,114,229	$ -

Note H- Investments and Fair Value Measurement

The components of Prevent Child Abuse America's investments consist of the following at December 31:

	2018	2017	Fair Value Level
Money market funds	$ 764,567	$ 592,067	1
Equity mutual funds	2,373,486	102,833	1
Fixed-income mutual funds	1,434,763	1,539,065	1
Exchange traded funds - equities	308,955	2,134,866	1
Total	$ 4,881,771	$ 4,368,831	

The following schedule summarizes the investment return and its classification in the statement of activities as of December 31:

	2018	2017
Dividends and interest, net of investment fees of $9,363 and $9,869 respectively	$ 125,331	$ 84,261
Change in market value	(221,106)	422,062
Total return on investments	(95,775)	506,323
Investment return designated for current operations	-	(43,084)
Investment return in excess of amounts designated for current operations	$ -	$ 463,239

In accordance with GAAP, Prevent Child Abuse America prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy and those investments included in each are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that Prevent Child Abuse America has the ability to access.

Level 2: Inputs to the valuation methodology 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 substantially the entire period for the asset or liability and market-corroborated inputs.

Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Note I - Furniture and Equipment

Furniture and equipment at December 31 consists of:

	2018	2017
Remodeling costs	$ 29,000	$ -
Furniture and other furnishings	108,851	91,030
Equipment	77,796	74,220
	215,647	165,250
Less accumulated depreciation	163,120	145,404
	$ 52,527	$ 19,846

Depreciation expense was $17,717 and $13,385 for the years ended December 31, 2018 and 2017, respectively.

Note J - In-Kind Contributions

Prevent Child Abuse America receives contributed legal and other services. These donated services had a fair value of $420,992 and $192,692 in 2018 and 2017, respectively, and is recorded as public support in the statements of activities.

Note K - Related Party Transactions

Prevent Child Abuse America received $1,340,181 and $1,055,951 in 2018 and 2017, respectively, of support from Prevent Child Abuse America's Board of Directors and corporations that employ members of Prevent Child Abuse America's Board of Directors.

Note L - Retirement Plan

Prevent Child Abuse America has a defined contribution retirement plan that covers substantially all employees. Prevent Child Abuse America funds the plan through annual contributions based upon a fixed percentage of eligible employees' salaries. The contributions for 2018 was $19,445 and for 2017 it was suspended.

Note M - Commitments

Office Lease
Prevent Child Abuse America is obligated under terms of a lease which expires February 28, 2023 for office space located in Chicago, Illinois. Under terms of the lease agreement, Prevent Child Abuse America pays monthly base rent of $7,000. The base rent escalates by 4% per annum. Rent expense recorded for the years ended December 31, 2018 and 2017 was $82,438 and $74,302, respectively. In addition, Prevent Child Abuse leases some office equipment. Future minimum base lease payments are as follows:

2019	$ 103,701
2020	$ 102,023
2021	$ 93,883
2022	$ 97,638
2023	$ 16,378

Event Contract
During 2018, Prevent Child Abuse America entered into a contract for a future conference in 2019. In the event the conference is cancelled, Prevent Child Abuse America can be held liable for liquidated damages. In the event of cancellation, the potential liability at December 31, 2018 was $161,057.

Note N - Endowments

Prevent Child Abuse America's endowment includes two donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Board of Directors of Prevent Child Abuse America has interpreted the Illinois Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Prevent Child Abuse America classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UMIFA, Prevent Child Abuse America considers the following factors in making a determination of the amount to appropriate for current operations:

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

Note N – Endowments (Continued)

As of December 31, PCAA had the following endowment net asset composition by type of fund:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dona Stone Pesch Endowment	$ -	$ 3,000,219	$ 3,000,219
Forester's Endowment	-	766,368	766,368
Total	$ -	$ 3,766,587	$ 3,766,587

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Dona Stone Pesch Endowment	$ -	$ 3,578,281	$ 3,578,281
Forester's Endowment	-	790,550	790,550
Total	$ -	$ 4,368,831	$ 4,368,831

The donor-restricted endowments consisting of:

- A $1,000,000 grant from the Pesch Family Foundation, and the related $1,000,000 matching funds, which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as net assets with donor restrictions until they are appropriated by the Board of Directors.

- A $500,000 grant from the W. Clement Stone 1990 Revocable Trust which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as net assets with donor restrictions until they are appropriated by the Board of Directors.

- A $500,000 grant from the Independent Order of Foresters which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended to support Healthy Families America and the Chapter network with approval of the Foresters. Until designated for operations by the Board of Directors, investment income from this grant is classified as net assets with donor restrictions.

Note N – Endowments (Continued)

Changes in donor-restricted endowment net assets for December 31 were:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$4,368,831	$4,368,831
Investment return:			
Investment income, net of investment expenses	-	85,587	85,587
Net depreciation (realized and unrealized)	-	(219,831)	(219,831)
Total investment return	-	(134,244)	(134,244)
Transfer of Endowment assets to Operating Reserve	-	(468,000)	(468,000)
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, end of year	$ -	$3,766,587	$3,766,587

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 3,905,592	$ 3,905,592
Investment return:			
Investment income, net of investment expenses	-	75,980	75,980
Net appreciation (realized and unrealized)	-	422,259	422,259
Total investment return	-	498,239	498,239
Transfer of Endowment assets to Operating Reserve	-	-	-
Appropriation of endowment assets for expenditures	-	(35,000)	(35,000)
Endowment net assets, end of year	$ -	$4,368,831	$4,368,831

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires Prevent Child Abuse America to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2018 and 2017.

Note N – Endowments (Continued)

Return Objectives and Risk Parameters
Prevent Child Abuse America has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity or until as used per donor specifications as well as Board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the rolling three year return of a weighted benchmark including the Standard & Poor's SOD index for domestic equity securities and the Morgan Stanley Capital International Non-U.S. index for international equity investments, while assuming a moderate level of investment risk. Prevent Child Abuse America expects its endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation as measured in the Consumer Price Index by 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate of return objectives, Prevent Child Abuse America relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Prevent Child Abuse America targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Board of Directors annually appropriates a portion of the total return on its investments to current operations. Under Prevent Child Abuse America's policy, $35,000 of endowment earnings in 2017 were appropriated to support current operations. Nothing was appropriated in 2018. The Board approved a transfer of $468,000, in 2017, from the endowment fund to fund the operating reserve. This transfer was completed in 2018. In determining the amount to appropriate, the Board of Directors considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the preservation of the fair value of the original gift held in perpetuity or for a specified term as well as to provide predictable amounts of funds for current operations. The total return on endowment funds are reduced by investment fees incurred related to those funds.

Note O - Copyright

On March 13, 2017, Prevent Child Abuse America entered into an agreement with Great Kids, Inc. to purchase the copyrights to two curricula used by Healthy Families America. The two organizations also amended the original license agreement for other curricula used by Healthy Families America, reducing the licensing fee to reflect the copyright purchase. The copyrights were recorded at cost and will be amortized on a straight-line basis over the expected useful life of 6 years. Accumulated amortization as of December 31, 2018 was $70,729. Amortization expense for 2018 was $34,353 and for 2017 was $36,376.