SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2016 and 2015

SAINTA, INC. AND SUBSIDIARIES
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SaintA, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SaintA, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SaintA, Inc. and Subsidiaries as of December 31, 2016 and 2015, 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.

Sikich LLP

Brookfield, Wisconsin
May 25, 2017

CONSOLIDATED FINANCIAL STATEMENTS

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31,

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,182,248	$ 2,021,757
Accounts receivable, net	1,528,235	4,866,543
Interest and dividends receivable	19,963	39,903
Prepaid expenses	186,666	475,311
Total current assets	6,917,112	7,403,514
OTHER ASSETS		
Investments	20,519,834	19,959,026
Property and equipment, net	2,315,114	2,730,596
Total other assets	22,834,948	22,689,622
TOTAL ASSETS	$ 29,752,060	$ 30,093,136

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 645,530	$ 889,591
Accrued payroll and benefits	1,155,567	1,334,622
Deferred revenue	915,344	839,721
Total current liabilities	2,716,441	3,063,934
NET ASSETS		
Unrestricted	26,485,699	26,468,802
Temporarily restricted	283,054	293,534
Permanently restricted	266,866	266,866
Total net assets	27,035,619	27,029,202
TOTAL LIABILITIES AND NET ASSETS	$ 29,752,060	$ 30,093,136

See accompanying notes to consolidated financial statements.

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
Contributions	$ 380,804	$ 7,760	$ -	$ 388,564
REVENUE				
Program service fees	33,387,926	-	-	33,387,926
Expense reimbursements	421,734	-	-	421,734
Food reimbursements	243,465	-	-	243,465
Rental income	75,380	-	-	75,380
Investment income	1,457,797	-	-	1,457,797
Miscellaneous	41,078	-	-	41,078
Total revenue	35,627,380	-	-	35,627,380
Net assets released from restrictions	18,240	(18,240)	-	-
Total support and revenue	36,026,424	(10,480)	-	36,015,944
EXPENSES				
Program services	34,215,770	-	-	34,215,770
Management and general	1,778,529	-	-	1,778,529
Fundraising	15,228	-	-	15,228
Total expenses	36,009,527	-	-	36,009,527
CHANGE IN NET ASSETS	16,897	(10,480)	-	6,417
NET ASSETS - BEGINNING OF YEAR	26,468,802	293,534	266,866	27,029,202
NET ASSETS - END OF YEAR	$ 26,485,699	$ 283,054	$ 266,866	$ 27,035,619

See accompanying notes to consolidated financial statements.

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
Contributions	$ 396,278	$ 15,409	$ -	$ 411,687
REVENUE				
Program service fees	34,377,482	-	-	34,377,482
Expense reimbursements	553,540	-	-	553,540
Food reimbursements	217,683	-	-	217,683
Rental income	79,155	-	-	79,155
Investment (loss)	(291,783)	-	-	(291,783)
Miscellaneous	34,468	-	-	34,468
Total revenue	34,970,545	-	-	34,970,545
Net assets released from restrictions	34,983	(34,983)	-	-
Total support and revenue	35,401,806	(19,574)	-	35,382,232
EXPENSES				
Program services	34,795,173	-	-	34,795,173
Management and general	1,682,805	-	-	1,682,805
Fundraising	86,674	-	-	86,674
Total expenses	36,564,652	-	-	36,564,652
CHANGE IN NET ASSETS	(1,162,846)	(19,574)	-	(1,182,420)
NET ASSETS - BEGINNING OF YEAR	27,631,648	313,108	266,866	28,211,622
NET ASSETS - END OF YEAR	$ 26,468,802	$ 293,534	$ 266,866	$ 27,029,202

See accompanying notes to consolidated financial statements.

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,417	$ (1,182,420)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	445,682	461,505
Bad debt expense	8,845	2,705
Unrealized and realized loss (gain) on investment	(750,794)	754,660
(Gain) on disposal of property and equipment	-	(39,440)
Decrease (increase) in:		
Accounts receivable	3,329,463	(1,674,470)
Interest and dividends receivable	19,940	2,740
Prepaid expenses	288,645	(51,972)
Increase (decrease) in:		
Accounts payable	(244,061)	45,354
Accrued payroll and benefits	(179,055)	206,535
Deferred revenue	75,623	47,159
Net cash provided (used) by operating activities	3,000,705	(1,427,644)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	26,463,402	6,696,398
Purchase of investments	(26,273,416)	(7,877,825)
Proceeds from sale of property and equipment	-	73,622
Purchase of property and equipment	(30,200)	(513,005)
Net cash provided (used) by investing activities	159,786	(1,620,810)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,160,491	(3,048,454)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,021,757	5,070,211
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,182,248	$ 2,021,757

See accompanying notes to consolidated financial statements.

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services						Supporting Activities Management and General				
	Residential	Treatment Foster Care	Child Welfare	Other* Programs	Capitol West Academy	Total Program Services	Agency	Foundation	Total	Fundraising	Total
EXPENSES											
Salaries	$ 2,628,981	$ 1,193,343	$ 10,396,650	$ 2,406,484	$ 1,428,404	$ 18,053,862	$ 2,622,509	$ -	$ 2,622,509	$ -	$ 20,676,371
Employee benefits	358,858	176,717	1,806,199	367,751	178,205	2,887,730	525,225	-	525,225	-	3,412,955
Payroll taxes	214,259	88,908	796,334	194,171	106,425	1,400,097	203,481	-	203,481	-	1,603,578
Staff development	22,592	62,632	493,272	103,165	18,784	700,445	183,260	-	183,260	-	883,705
Contracted services	77,063	63,519	228,415	32,879	219,162	621,038	584,167	-	584,167	-	1,205,205
Direct client assistance	211,933	1,230,350	3,241,029	38,437	55,219	4,776,968	63,280	-	63,280	-	4,840,248
Space and equipment	569,986	39,853	1,060,543	186,291	(27,633)	1,829,040	166,236	-	166,236	-	1,995,276
Supplies and postage	42,232	27,995	111,481	27,734	287,638	497,080	218,364	-	218,364	15,228	730,672
Telephone	12,304	12,831	146,926	28,966	9,106	210,133	24,006	-	24,006	-	234,139
Insurance	18,391	5,200	60,449	14,348	20,784	119,172	11,105	-	11,105	-	130,277
Educational materials	-	-	-	-	39,559	39,559	-	-	-	-	39,559
Miscellaneous	2,823	1,763	3,854	9,118	4,682	22,240	124,479	104	124,583	-	146,823
Investment fees	-	-	-	-	-	-	-	110,719	110,719	-	110,719
Total functional expenses	4,159,422	2,903,111	18,345,152	3,409,344	2,340,335	31,157,364	4,726,112	110,823	4,836,935	15,228	36,009,527
Management and general	394,088	380,404	1,876,918	406,996	-	3,058,406	(3,058,406)	-	(3,058,406)	-	-
TOTAL EXPENSES	$ 4,553,510	$ 3,283,515	$ 20,222,070	$ 3,816,340	$ 2,340,335	$ 34,215,770	$ 1,667,706	$ 110,823	$ 1,778,529	$ 15,228	$ 36,009,527

* Other programs include School-Based Services, Care Coordination, Care Coordination REACH, Functional Family Therapy, and Youth Transitioning to Adulthood.

SAINTA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services						Supporting Activities Management and General				
	Residential	Treatment Foster Care	Child Welfare	Other* Programs	Capitol West Academy	Total Program Services	Agency	Foundation	Total	Fundraising	Total
EXPENSES											
Salaries	$ 2,844,731	$ 977,716	$ 10,345,319	$ 2,203,949	$ 1,268,223	$ 17,639,938	$ 2,661,872	$ -	$ 2,661,872	$ 50,922	$ 20,352,732
Employee benefits	394,269	163,507	1,948,390	372,235	221,694	3,100,095	535,197	-	535,197	2,850	3,638,142
Payroll taxes	232,686	80,884	779,299	168,053	94,342	1,355,264	196,690	-	196,690	-	1,551,954
Staff development	38,075	60,117	549,617	146,333	44,313	838,455	131,399	-	131,399	-	969,854
Contracted services	67,846	173,543	299,546	39,664	129,787	710,386	383,322	503	383,825	-	1,094,211
Direct client assistance	267,543	1,377,060	3,402,500	61,763	47,016	5,155,882	105,419	-	105,419	-	5,261,301
Space and equipment	567,824	43,259	1,069,761	246,647	5,322	1,932,813	170,147	-	170,147	-	2,102,960
Supplies and postage	93,600	46,649	152,429	37,458	245,212	575,348	202,102	-	202,102	32,902	810,352
Telephone	11,514	10,382	152,391	25,725	8,568	208,580	15,765	-	15,765	-	224,345
Insurance	20,275	4,523	51,602	12,677	19,819	108,896	12,881	-	12,881	-	121,777
Educational materials	-	-	-	-	36,994	36,994	-	-	-	-	36,994
Prior contract adjustment	75,156	33,592	-	-	-	108,748	-	-	-	-	108,748
Miscellaneous	5,515	1,357	2,157	1,305	36,975	47,309	153,881	80	153,961	-	201,270
Investment fees	-	-	-	-	-	-	-	90,012	90,012	-	90,012
Total functional expenses	4,619,034	2,972,589	18,753,011	3,315,809	2,158,265	31,818,708	4,568,675	90,595	4,659,270	86,674	36,564,652
Management and general	429,423	374,183	1,818,641	354,218	-	2,976,465	(2,976,465)	-	(2,976,465)	-	-
TOTAL EXPENSES	$ 5,048,457	$ 3,346,772	$ 20,571,652	$ 3,670,027	$ 2,158,265	$ 34,795,173	$ 1,592,210	$ 90,595	$ 1,682,805	$ 86,674	$ 36,564,652

* Other programs include School-Based Services, Care Coordination, Care Coordination REACH, Functional Family Therapy, HUD, Youth Transitioning to Adulthood, and Youth Moving on.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Activities

SaintA, Inc. (the Agency) and Subsidiaries, is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of providing family-centered care and educational services, including therapy, support, and prevention services, to children and their families.

St. Aemilian-Lakeside Foundation, Inc. (the Foundation) is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of providing support to the Agency.

Capitol West Academy (the School) is a not-for-profit nonstock Wisconsin school, chartered by the University of Wisconsin-Milwaukee and administered by the Office of Charter Schools. The School was organized to provide a structured environment with an integrated curriculum, service learning component, and an emphasis on quality academic skills for children from K4 to Grade 8.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Agency, the Foundation, and the School, collectively referred to as the "Organization." The Foundation and the School are consolidated with the Agency since the Agency has both an economic interest in and control of the Foundation and is the sole member of the School. All significant inter-organizational transactions have been eliminated.

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis method of accounting in accordance accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material to these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Basis of Presentation

The Organization classifies net assets into three categories – unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are those assets presently available for use by the Organization at the discretion of the Board of Directors. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as unrestricted – designated. Temporarily restricted net assets are those assets which have donor imposed restrictions as to time, purpose or both. Permanently restricted net assets result from a donor's specification that the assets be invested in perpetuity and that, generally only the income may be used.

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts and other instruments having an original maturity of three months or less, excluding amounts held as investments in the Organization's investment portfolio, to be equivalent to cash.

The Organization maintains its cash and cash equivalents at one financial institution which, at times, may exceed federally insured limits. At December 31, 2016 and 2015, the bank balances of the deposits exceeded FDIC limits by approximately $4,736,000 and $1,820,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are amounts due under cost reimbursable contracts or fee for service contracts with primarily county, state and federal government agencies. Invoicing and payment terms are provided in the contracts. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Accounts receivable are reviewed periodically by management to determine the adequacy of the allowance for doubtful accounts. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Based upon management's evaluation, the Organization believes its allowance for doubtful accounts in the amount of approximately $20,000 as of December 31, 2016 and 2015, is adequate. However, actual write-offs might exceed the recorded allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Investments and Investment Income

Investments are measured at fair value in the statements of financial position.

Investment income (including realized, unrealized gains and losses, interest, and dividends) is reported as unrestricted revenue unless the income is restricted by donor or law. Realized gains or losses are determined by specific identification. Restricted investment income whose restrictions are met within the same year as received are reported as unrestricted investment income in the accompanying consolidated financial statements.

Concentrations of Credit Risk

Concentrations of program service fees derived from purchasers were as follows for the year ended December 31,:

	2016	
	Program Service	**Accounts Receivable**
Milwaukee County Department of Health and Human Services	11 %	23 %
Wisconsin Department of Children and Families	70	45
TOTAL	81 %	68 %

	2015	
	Program Service	**Accounts Receivable**
Milwaukee County Department of Health and Human Services	11 %	* %
Wisconsin Department of Children and Families	70	80
TOTAL	81 %	80 %

* Less than 10%

Property and Equipment

Property and equipment are recorded at cost. All property and equipment expenditures greater than $5,000 for the Organization are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives. Depreciation expense is charged directly to the program which authorized the purchase of the related asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Property and Equipment (Continued)

Estimated lives and balances of property and equipment consisted of the following as of December 31,:

	Years	2016	2015
Land	N/A	$ 326,610	$ 326,610
Buildings and improvements	5-40	6,541,766	6,541,766
Furniture and equipment	3-15	2,859,992	2,830,635
Vehicles	4-7	143,112	143,112
Total Property and equipment		9,871,480	9,842,123
Less: Accumulated depreciation		(7,556,366)	(7,111,527)
PROPERTY AND EQUIPMENT, NET		$ 2,315,114	$ 2,730,596

Depreciation expense during 2016 and 2015 totaled $445,682 and $461,505, respectively.

Property and equipment purchased with contract funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with contract funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with contract funds are normally restricted for use in specific programs operated by the Organization. The net book value of the contract-funded property and equipment is as follows as of December 31,:

	2016	2015
Cost	$ 598,513	$ 598,513
Accumulated depreciation	(589,029)	(575,737)
NET BOOK VALUE	$ 9,484	$ 22,776

Program Revenues

Program revenues for certain programs are based upon interim rates set by the Organization. The rates are adjusted to actual reimbursable costs at December 31 of each year. The term "actual reimbursable costs," as defined by the State of Wisconsin - Department of Health Services may include a surplus of revenue in excess of expenses if certain agency guidelines are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Program Revenues (Continued)

Under funding policies enforced by certain agencies which provide program funding to the Organization, any excess of support provided by those agencies over annual program expenses may be subject to refund by the Organization at the discretion of the funding agencies. The Organization has recorded a liability for the excess support as deferred revenue on the statement of financial position.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed.

Retirement Plan

Substantially all employees of the Organizations are eligible to participate in a 403(b) retirement plan. The Organization makes a 50% matching contribution to the plan up to a percentage of each participant's compensation, based upon years of service. The Organization may also make a discretionary contribution to the plan. Total contributions to the retirement plan during 2016 and 2015 were approximately $849,000 and $841,000, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Income Tax Status

The Agency, Foundation and School are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code as other than a private foundation.

2. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

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

Level 2: Quotes prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using Net Asset Value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2 or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2016 and 2015.

2. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2016 and 2015.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

U.S. Government securities: U.S. Treasury bonds and notes in which the Organization invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. U.S. Treasury bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

Fixed income investments: The fixed income investments held by the Organization generally do not trade in active markets on the measurement date. Therefore, the fixed income investments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Recurring Measurements

Assets measured at fair value on a recurring basis as of December 31, are as follows:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Fixed income investments	$ -	$ 1,411,879	$ -	$ 1,411,879
U.S government securities	-	1,289,707	-	1,289,707
Equity mutual funds	17,415,123	-	-	17,415,123
TOTAL ASSETS AT FAIR VALUE	$17,415,123	$ 2,701,586	$ -	20,116,709
Money market funds*				403,124
TOTAL INVESTMENTS				$20,519,833

2. FAIR VALUE MEASUREMENTS (Continued)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Fixed income investments	$ 3,772,908	$ 3,456,613	$ -	$ 7,229,521
Equity mutual funds	12,130,652	-	-	12,130,652
TOTAL ASSETS AT FAIR VALUE	$15,903,560	$ 3,456,613	$ -	19,360,173
Money market funds*				598,853
TOTAL INVESTMENTS				$19,959,026

*Reported at cost

Investment income for the years ended December 31, consists of the following:

	2016	**2015**
Interest and dividends	$ 707,003	$ 462,877
Realized gains	701,186	460,879
Unrealized (loss) gain	49,608	(1,215,539)
TOTAL INVESTMENT (LOSS) INCOME	$ 1,457,797	$ (291,783)

3. LINE OF CREDIT

The Agency has an available operating line of credit of $350,000 secured by a general business security agreement due on demand. Interest is at the bank's prime rate (3.75% at December 31, 2016). No amounts were outstanding at December 31, 2016 and 2015.

As security for possible unemployment claims, the Organization has two letters of credit for $323,808 that expire in December 2020. No amounts were outstanding at December 31, 2016 and 2015.

4. DEFERRED REVENUE

The Organization has entered into certain contractual relationships which provide, in part, for the potential refunding of excess support over program expenses by the Organization. The Organization has estimated and recorded a liability in the consolidated financial statements for any adjustments for which the purchasers of services have not yet invoiced or notified the Organization. As of December 31, 2016 and 2015, the Organization has recorded deferred revenue of $914,524 and $832,521, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes as of December 31,:

	2016	2015
Purpose restriction		
Training	$ 282,234	$ 282,234
Miscellaneous	820	11,300
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$ 283,054	$ 293,534

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other specified restrictions by donors as follows:

	2016	2015
Purpose restriction		
Miscellaneous	$ 18,240	$ 34,983
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	$ 18,240	$ 34,983

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity, the income of which is expendable to support operations. Permanently restricted net asset endowments funds are as follows at December 31,:

	2016	2015
Yale Memorial Fund	$ 50,000	$ 50,000
Breining Educational Fund	87,000	87,000
Caroline Finger Fund	10,000	10,000
Howard Christmas Fund	5,000	5,000
Howard Fund	89,866	89,866
Stark Manual Training Fund	25,000	25,000
TOTAL PERMANENTLY RESTRICTED NET ASSETS	$ 266,866	$ 266,866

7. ENDOWMENTS

The Foundation has received several gifts or endowments in which the donors have stipulated that these funds be invested and maintained permanently to generate annual income to support certain activities of the Foundation. These funds are maintained by the Foundation in various investments and the Foundation is responsible for investment decisions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of a donor's 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, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Organizations, and (g) the Foundation's investment policies.

The Foundation 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 preserve the purchasing power of the endowment assets. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

7. ENDOWMENTS (Continued)

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Foundation's asset allocations include a blend of equity and debt securities and cash equivalents.

Interest, dividends and net appreciation in fair value of endowment funds on donor restricted endowment funds are classified as temporarily restricted net assets if the earnings are restricted by the donor for a specific purpose. Interest and dividends on donor restricted endowment funds are appropriated for distribution at the discretion of the Board of Directors.

Endowment assets are included in the investment portfolios (See Note 2) and totaled $266,866 as of December 31, 2016 and 2015.

The endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 266,866	$ 266,866

The endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 266,866	$ 266,866

7. ENDOWMENTS (Continued)

Change in endowments for the year ending December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (10,070)	$ -	$ 266,866	$ 256,796
Net realized and unrealized gains (losses) on restricted funds	9,755	-	-	9,755
Investment income on restricted funds	315	8,754	-	9,069
Appropriation of endowment assets for expenditure	-	(8,754)	-	(8,754)
ENDOWMENT NET ASSETS, END OF YEAR	$ -	$ -	$ 266,866	$ 266,866

Change in endowments for the year ending December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 266,866	$ 266,866
Net realized and unrealized gains (losses) on restricted funds	(10,070)	-	-	(10,070)
Investment income on restricted funds	-	6,015	-	6,015
Appropriation of endowment assets for expenditure	-	(6,015)	-	(6,015)
ENDOWMENT NET ASSETS, END OF YEAR	$ (10,070)	$ -	$ 266,866	$ 256,796

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 UPMIFA requires the Organization to retain as a fund of perpetual donation. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $0 and $10,070 in 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

8. COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

The Agency leases space from an unrelated third party. A portion of the lease expires in February 2018; however, the Agency may terminate this portion of the lease in the event that the Division of Milwaukee Child Protective Services (DMCPS) Contract is terminated by either party. The Agency leases another portion of the space under an agreement that expires in February 2018, with a one time termination option as of December 31, 2017, with notice per the agreement. Monthly lease payments range from approximately $10,000 to $55,000.

The Organization has various other building and equipment leases with non-related entities under lease agreements expiring through October 2018.

The following is a summary of the future minimum lease payments for the operating leases having initial or remaining non-cancelable terms in excess of one year:

2017	$ 106,533
2018	77,324
TOTAL MINIMUM LEASE PAYMENTS	$ 183,857

Rent expense for all leases for 2016 and 2015 was $949,087 and $1,007,061, respectively.

9. RELATED-PARTY TRANSACTIONS

Members of the Board serve in management roles of corporations that provide services to the Organization, causing these corporations to be related parties. During 2016 and 2015, the Organization paid approximately $28,700 and $54,100, respectively, for legal services from a law firm managed in part by one of the members of the Board. As of December 31, 2016 and 2015, there were no amounts outstanding which were owed by the Organization to the law firm.

10. SUBSEQUENT EVENT

The Organization has evaluated subsequent events through May 25, 2017, the date on which the financial statements were available to be issued. On January 6, 2017 the Agency entered into a note payable agreement with a financial institution in the amount of $200,000 with an interest rate of 3.75% for IT infrastructure upgrades. The note will be paid in equal installments of $4,498 including principal and interest beginning in February 2017. The note expires January 6, 2021. There is no collateral on the note.