HEPHZIBAH CHILDREN'S ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

HEPHZIBAH CHILDREN'S ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hephzibah Children's Association
Oak Park, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Hephzibah Children's Association (the Association), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and directly related program services revenues, 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.

Auditors' 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Association'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 Association'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 reasonable basis for our audit opinion.

Board of Directors
Hephzibah Children's Association

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2017 and 2016, and the change 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
November 8, 2017

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 1,332,448	$ 294,990	$ 1,627,438
Certificates of Deposit	243,453	-	243,453
Accounts and Contributions Receivable, Net	545,359	-	545,359
Prepaid Expenses	147,066	-	147,066
Investments	2,531,134	-	2,531,134
Other Assets	3,180	-	3,180
Total Current Assets	4,802,640	294,990	5,097,630
BENEFICIAL INTEREST IN REMAINDER TRUST	-	237,951	237,951
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,186,009	2,186,009
PROPERTY AND EQUIPMENT, NET	1,384,847	-	1,384,847
Total Assets	$ 6,187,487	$ 2,718,950	$ 8,906,437
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 497,956	$ -	$ 497,956
Accrued Salaries and Wages	517,513	-	517,513
Accrued Payroll Taxes	20,543	-	20,543
Obligations under Capital Leases	7,310	-	7,310
Due to Illinois Department of Children and Family Services	185,877	-	185,877
Total Current Liabilities	1,229,199	-	1,229,199
NONCURRENT LIABILITIES			
Obligations under Capital Leases	22,357	-	22,357
Total Liabilities	1,251,556	-	1,251,556
NET ASSETS	4,935,931	2,718,950	7,654,881
TOTAL LIABILITIES AND NET ASSETS	$ 6,187,487	$ 2,718,950	$ 8,906,437

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 1,092,585	$ 272,665	$ 1,365,250
Certificates of Deposit	243,063	-	243,063
Accounts and Contributions Receivable, Net	565,307	11,403	576,710
Prepaid Expenses	136,819	-	136,819
Investments	2,230,784	-	2,230,784
Other Assets	3,183	-	3,183
Total Current Assets	4,271,741	284,068	4,555,809
BENEFICIAL INTEREST IN REMAINDER TRUST	-	228,353	228,353
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,032,356	2,032,356
PROPERTY AND EQUIPMENT, NET	1,298,006	-	1,298,006
Total Assets	$ 5,569,747	$ 2,544,777	$ 8,114,524
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 437,777	$ -	$ 437,777
Accrued Salaries and Wages	260,194	-	260,194
Accrued Payroll Taxes	14,372	-	14,372
Obligations under Capital Leases	6,961	-	6,961
Due to Illinois Department of Children and Family Services	185,877	-	185,877
Total Current Liabilities	905,181	-	905,181
NONCURRENT LIABILITIES			
Obligations under Capital Leases	29,667	-	29,667
Total Liabilities	934,848	-	934,848
NET ASSETS	4,634,899	2,544,777	7,179,676
Total Liabilities and Net Assets	$ 5,569,747	$ 2,544,777	$ 8,114,524

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	$ 6,297,278	$ -	$ 6,297,278
United Way of Metropolitan Chicago	21,000	-	21,000
Public Support:			
Individual, Corporate and Foundation Contributions and Grants	1,014,039	215,850	1,229,889
Special Events, Net of Expenses of $186,494	319,526	-	319,526
Other Revenue:			
Program Service Fees and Grants	1,570,571	-	1,570,571
Interest, Dividend, and Other Income	61,174	-	61,174
Unrealized Gain	176,333	-	176,333
Realized Loss	(1,595)	-	(1,595)
Change in Value of Beneficial Interest in Remainder Trust	-	9,597	9,597
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	153,653	153,653
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	204,927	(204,927)	-
Total Revenues and Support	9,663,253	174,173	9,837,426
EXPENSES			
Program Services	7,231,684	-	7,231,684
Management and General	1,698,679	-	1,698,679
Development	431,858	-	431,858
Total Expenses	9,362,221	-	9,362,221
CHANGE IN NET ASSETS	301,032	174,173	475,205
Net Assets - Beginning of Year	4,634,899	2,544,777	7,179,676
NET ASSETS - END OF YEAR	$ 4,935,931	$ 2,718,950	$ 7,654,881

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	$ 5,971,810	$ -	$ 5,971,810
United Way of Metropolitan Chicago	21,000	-	21,000
Public Support:			
Individual, Corporate and Foundation Contributions and Grants	759,248	105,199	864,447
Special Events, Net of Expenses of $157,137	307,784	-	307,784
Other Revenue:			
Program Service Fees and Grants	1,642,193	-	1,642,193
Interest, Dividend and Other Income	48,055	-	48,055
Unrealized Loss	(14,101)	-	(14,101)
Realized Loss	(43,804)	-	(43,804)
Change in Value of Beneficial Interest in Remainder Trust	-	(421)	(421)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	(78,737)	(78,737)
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	293,874	(293,874)	-
Total Revenues and Support	8,986,059	(267,833)	8,718,226
EXPENSES			
Program Services	6,956,066	-	6,956,066
Management and General	1,316,681	-	1,316,681
Development	468,875	-	468,875
Total Expenses	8,741,622	-	8,741,622
CHANGE IN NET ASSETS	244,437	(267,833)	(23,396)
Net Assets - Beginning of Year	4,390,462	2,812,610	7,203,072
NET ASSETS - END OF YEAR	$ 4,634,899	$ 2,544,777	$ 7,179,676

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES
YEAR ENDED JUNE 30, 2017

	Program Services				
	Day Care	Family Services	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES					
Salaries	$ 794,033	$ 209,228	$ 740,257	$ 1,133,064	$ 774,298
Employee Benefits	69,816	38,695	113,352	169,826	122,207
Payroll Taxes	73,756	19,362	68,870	104,900	71,882
Total Salaries and Related Expenses	937,605	267,285	922,479	1,407,790	968,387
Professional Fees and Contract Service Payments	63,175	16,575	194,904	56,318	38,833
Supplies	130,017	1,858	9,502	105,224	70,215
Telephone and Telegraph	12,185	2,112	7,544	7,507	5,292
Postage and Shipping	411	757	2,914	86	78
Occupancy	22,220	28,740	99,191	50,325	36,091
Printing and Reference Material	852	72	675	253	239
Local Transportation	13,667	12,825	57,374	10,565	15,303
Training, Conferences, and Major Trips	7,943	600	24,276	4,693	2,987
Specific Assistance to Individuals	26,009	14,967	744,618	17,433	17,110
Membership Dues	3,543	599	3,101	3,747	2,658
Equipment Rental, Repairs, and Maintenance	1,454	2,628	9,305	7,279	5,157
Miscellaneous	7,735	665	2,523	2,662	1,889
Total Functional Expenses, before Depreciation	1,226,816	349,683	2,078,406	1,673,882	1,164,240
Depreciation	3,741	3,916	15,421	58,229	50,947
Total Functional Expenses	1,230,557	353,599	2,093,827	1,732,111	1,215,187
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	289,050	83,058	491,827	406,862	285,440
ALLOCATION OF DEVELOPMENT EXPENSES	73,486	21,116	125,038	103,437	72,568
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 1,593,093	$ 457,773	$ 2,710,692	$ 2,242,410	$ 1,573,195
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	$ 10,274	$ 414,638	$ 2,393,719	$ 1,712,971	$ 1,246,862
Illinois Department of Human Services	47,330	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-
Other Government Agencies	6,339	-	-	27,373	18,233
Other	12,121	-	-	-	-
Program Service Fees and Grants	1,570,571	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	12,845	8,155
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 1,646,635	$ 414,638	$ 2,393,719	$ 1,753,189	$ 1,273,250

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)
YEAR ENDED JUNE 30, 2017

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
$ 2,829	$ 296,106	$ 56,163	$ 4,005,978	$ 1,222,615	$ 222,124	$ 1,444,739	$ 5,450,717
630	51,042	2,611	568,179	133,130	24,867	157,997	726,176
236	27,285	5,282	371,573	87,281	19,524	106,805	478,378
3,695	374,433	64,056	4,945,730	1,443,026	266,515	1,709,541	6,655,271
63	7,386	22,076	399,330	142,158	91,730	233,888	633,218
19	28,125	10,531	355,491	5,719	2,163	7,882	363,373
28	2,318	434	37,420	7,288	1,643	8,931	46,351
10	6	164	4,426	1,751	3,946	5,697	10,123
355	12,195	5,712	254,829	55,871	23,654	79,525	334,354
-	272	360	2,723	3,968	16,890	20,858	23,581
44	731	377	110,886	3,332	595	3,927	114,813
1	1,419	1,798	43,717	5,701	3,700	9,401	53,118
2,224	994	43,038	866,393	-	-	-	866,393
8	2,750	-	16,406	630	-	630	17,036
36	1,895	570	28,324	5,661	2,162	7,823	36,147
6	603	2,735	18,818	11,530	6,264	17,794	36,612
6,489	433,127	151,851	7,084,493	1,686,635	419,262	2,105,897	9,190,390
46	14,179	712	147,191	12,044	12,596	24,640	171,831
6,535	447,307	152,563	7,231,684	$ 1,698,679	$ 431,858	$ 2,130,537	$ 9,362,221
1,535	105,069	35,838	1,698,679				
390	26,712	9,111	431,858				
$ 8,460	$ 579,088	$ 197,512	$ 9,362,221				
$ -	$ -	$ -	$ 5,778,464				$ 5,778,464
-	-	-	47,330				47,330
-	363,887	-	363,887				363,887
4,053	10,592	3,746	70,336				70,336
-	25,140	-	37,261				37,261
-	-	-	1,570,571				1,570,571
-	-	-	21,000				21,000
$ 4,053	$ 399,619	$ 3,746	$ 7,888,849				$ 7,888,849

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)
YEAR ENDED JUNE 30, 2016

	Program Services				
	Day Care	Family Services	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES					
Salaries	$ 796,860	$ 200,521	$ 691,634	$ 1,103,653	$ 804,067
Employee Benefits	83,393	33,556	95,611	164,035	108,117
Payroll Taxes	75,636	18,984	65,706	104,072	76,104
Total Salaries and Related Expenses	955,889	253,061	852,951	1,371,760	988,288
Professional Fees and Contract Service Payments	65,975	12,345	139,214	33,930	24,199
Supplies	118,064	3,378	11,928	104,528	79,064
Telephone and Telegraph	11,934	2,034	6,806	7,173	5,385
Postage and Shipping	510	767	2,683	703	547
Occupancy	25,105	28,292	89,426	50,110	38,030
Printing and Reference Material	547	285	3,139	370	249
Local Transportation	11,365	12,991	59,114	11,495	15,043
Training, Conferences, and Major Trips	6,101	862	10,763	14,287	9,935
Specific Assistance to Individuals	22,818	7,122	688,370	20,366	16,195
Membership Dues	3,350	683	3,036	3,768	2,866
Equipment Rental, Repairs, and Maintenance	2,103	2,970	9,796	7,000	5,268
Miscellaneous	8,269	742	2,560	3,532	2,544
Total Functional Expenses, before Depreciation	1,232,030	325,532	1,879,786	1,629,022	1,187,613
Depreciation	3,644	4,143	15,214	57,557	50,308
Total Functional Expenses	1,235,674	329,675	1,895,000	1,686,579	1,237,921
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	233,895	62,403	358,695	319,244	234,320
ALLOCATION OF DEVELOPMENT EXPENSES	83,291	22,222	127,733	113,684	83,442
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 1,552,860	$ 414,300	$ 2,381,428	$ 2,119,507	$ 1,555,683
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	$ 8,982	$ 397,004	$ 2,043,679	$ 1,792,338	$ 1,247,658
Illinois Department of Human Services	56,297	-	-	-	-
Other Government Agencies	6,681	-	-	20,570	12,605
Other	11,276	-	-	-	-
Program Service Fees and Grants	1,642,193	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	12,845	8,155
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 1,725,429	$ 397,004	$ 2,043,679	$ 1,825,753	$ 1,268,418

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)
YEAR ENDED JUNE 30, 2016

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
$ 4,366	$ 272,693	$ 46,390	$ 3,920,184	$ 944,385	$ 261,368	$ 1,205,753	$ 5,125,937
976	45,715	1,440	532,843	134,582	35,876	170,458	703,301
375	25,748	4,428	371,053	81,271	23,372	104,643	475,696
5,717	344,156	52,258	4,824,080	1,160,238	320,616	1,480,854	6,304,934
247	6,660	23,122	305,692	47,143	74,610	121,753	427,445
36	25,663	6,976	349,637	7,461	2,698	10,159	359,796
44	2,214	428	36,018	7,128	1,818	8,946	44,964
16	179	166	5,571	1,509	4,317	5,826	11,397
544	12,536	5,487	249,530	54,396	25,407	79,803	329,333
1	141	6	4,738	1,486	17,571	19,057	23,795
432	457	1,601	112,498	3,429	713	4,142	116,640
2	489	2,965	45,404	5,275	1,507	6,782	52,186
2,180	511	55,258	812,820	-	-	-	812,820
13	1,486	-	15,202	3,965	1,000	4,965	20,167
64	1,893	643	29,737	6,321	2,733	9,054	38,791
15	626	3,288	21,576	7,412	2,990	10,402	31,978
9,311	397,011	152,198	6,812,503	1,305,763	455,980	1,761,743	8,574,246
62	12,003	632	143,563	10,918	12,895	23,813	167,376
9,373	409,014	152,830	6,956,066	$ 1,316,681	$ 468,875	$ 1,785,556	$ 8,741,622
1,774	77,421	28,929	1,316,681				
632	27,570	10,301	468,875				
$ 11,779	$ 514,005	$ 192,060	$ 8,741,622				
$ -	$ -	$ -	$ 5,489,661				$ 5,489,661
-	-	-	56,297				56,297
5,312	339,627	3,747	388,542				388,542
-	26,033	-	37,309				37,309
-	-	-	1,642,193				1,642,193
-	-	-	21,000				21,000
$ 5,312	$ 365,660	$ 3,747	$ 7,635,002				$ 7,635,002

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 475,205	$ (23,396)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	171,831	167,376
Provisions for Bad Debts	2,894	-
Unrealized (Gain) Loss on Investments	(176,333)	14,101
Realized Loss on Investments	1,595	43,804
Change in Value of Beneficial Interest in Remainder Trust	(9,597)	421
Change in Value of Beneficial Interest in Hephzibah Children's Trust	(153,653)	78,737
Gain on Disposal of Property and Equipment	-	(2,367)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	28,456	(114,446)
Prepaid Expenses and Other Assets	(10,244)	6,287
Accounts Payable and Due to Agencies	60,179	(128,279)
Accrued Salaries and Wages	257,319	50,774
Accrued Payroll Taxes	6,171	4,261
Net Cash Provided by Operating Activities	653,823	97,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(258,672)	(265,763)
Purchases of Short-Term Investments	(547,081)	(1,223,219)
Proceeds from Sale of Investments	421,079	881,938
Net Cash Used by Investing Activities	(384,674)	(607,044)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(6,961)	(5,935)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	262,188	(515,706)
Cash and Cash Equivalents - Beginning of Year	1,365,250	1,880,956
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,627,438	$ 1,365,250
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 1,643	$ 1,500
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposal of Equipment Under Capital Lease and Termination of Capital Lease Obligation	$ -	$ 15,997
Acquisition of Equipment through Lease Obligation	$ -	$ 38,078

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hephzibah Children's Association (the Association) is a nonprofit comprehensive social service agency which provides services to children and families without regard to race, color, religion, sex, or national origin. The Association's goals are to strengthen and reunite families by offering the following array of services: before and after-school child care; half-day pre-school child care; intensive outreach and child welfare assessment services; emergency care services and coordination of service providers for child abuse prevention; short-term foster care; short-term and long-term group homes for children whose physical and emotional needs exceed the services of foster homes and intensive in-home services to families actively involved with the Illinois Department of Children and Family Services because of abuse or neglect.

The Hephzibah Children's Trust (the Trust) is a nonprofit organization whose mission is to provide funds to the Association. The Trust has been approved by the Internal Revenue Service as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Association and the Trust have separate boards of directors. The Association does not have a controlling economic interest in the Trust. Accordingly, consolidated financial statements are not prepared. However, the Association has a beneficial interest in Trust assets upon any potential dissolution of the Trust. See Note 13.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Financial Statement Presentation

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Association follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, *Not-For-Profit Entities - Presentation of Financial Statements.* Under ASC No. 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets defined as follows:

Unrestricted Net Assets – Includes resources with no legal or donor-imposed restrictions.

Temporarily Restricted Net Assets – Includes resources subject to legal or donor-imposed restrictions, including restrictions as to time of utilization of the resources and resources for which use is restricted to specified programs. Donor-restricted contributions whose restrictions are met within the same year as they are received are reflected as unrestricted contributions in the statements of activities. When a donor or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as "Net assets released from restrictions arising from satisfaction of program and time restrictions."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Permanently Restricted Net Assets – Those resources subject to donor-imposed stipulations that they be maintained permanently by the Association. There were no permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid interest-bearing depository and money market accounts. The Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

At times, cash and cash equivalents balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Management has not experienced any losses and does not believe there is any significant market risk associated with such balances.

Certificates of Deposit

Certificates of deposit are recorded at cost which approximates fair value.

Accounts and Contributions Receivable

Accounts and contributions receivable represents amounts due from various government agencies for reimbursement of program expenses, parent fees, and pledges receivable which are due within the next fiscal year.

Accounts and contributions receivable are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is $16,006 and $18,900, respectively, for the years ended June 30, 2017 and 2016.

Investments

Investments consist of mutual funds, exchange traded funds, hedge funds, real estate funds, commodity funds, bond funds, and corporate bonds. Investments are carried at fair value with unrealized and realized gains and losses on investments reported as increases and decreases in unrestricted net assets. Dividends, interest realized and unrealized gains and losses, and investment-related expenses are reported under other revenue in the statements of activities. All fair values of investments are described in Note 5.

The Association invests in various investments. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of activities.

Beneficial Interest in Remainder Trust

The Association is the beneficiary of a charitable remainder trust that is administered by a third party and is temporarily restricted. See Note 12.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Hephzibah Children's Trust

The Association is the beneficiary of the net assets of Hephzibah Children's Trust and those assets are temporarily restricted. See Note 13.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Replacements and major improvements are capitalized, while general maintenance and repairs are charged to expense as incurred. The Association has a $1,000 minimum capitalization policy. Depreciation is computed by using the straight-line method over the following estimated useful lives:

Land Improvements	5 Years
Buildings and Improvements	31.5 Years
Furniture, Fixtures, and Equipment	5-10 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Revenue Recognition

Contributions are recorded as revenue in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or funding agency. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Revenue from government and other grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement. At its discretion, the Association's board of directors may designate funds for specific purposes. Program service fee income is recognized in the month in which the day care services are provided. Special events revenue is included in the period the events take place.

Functional Allocation of Expenses

The costs of providing various program and support services have been summarized on a functional basis in the statements of activities and the statements of functional expenses and directly related program service revenue. Accordingly, certain costs have been allocated among the programs and support services benefited.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Taxes

The Association is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. There were no taxes owed for the years ended June 30, 2017 and 2016. The Association files tax returns in the U.S. federal jurisdiction and one state. There are no uncertain tax positions for the year ended June 30, 2017 and 2016.

NOTE 2 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

A summary of accounts receivable at June 30 is as follows:

	2017	2016
Illinois Department of Children and Family Services	$ 370,549	404,824
Head Start Program (CHASI)	30,215	24,125
Illinois Department of Human Services	51,290	44,751
Parent Fees	68,375	17,342
Other	40,936	104,568
	561,365	595,610
Allowance for Doubtful Accounts	(16,006)	(18,900)
Total	$ 545,359	$ 576,710

Conditional promises to give at June 30, 2017 and 2016 consist of three pledges of approximately $300,000. Furthermore, a conditional pledge was made of a percentage of the net proceeds from the sale of certain residential real estate. No value can be placed on this conditional pledge at June 30, 2017 and 2016.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of plant property and equipment at June 30 is as follows:

	2017	2016
Land and Improvements	$ 73,192	$ 73,192
Buildings and Improvements	2,653,329	2,421,034
Furniture and Equipment	731,363	713,689
Telecommunications Equipment	102,472	102,472
Playground Equipment	277,884	277,884
Computer Equipment	501,956	493,255
Website Development	30,618	30,618
Vehicles	152,550	152,550
	4,523,364	4,264,694
Accumulated Depreciation	(3,138,517)	(2,966,688)
Total	$ 1,384,847	$ 1,298,006

NOTE 4 INVESTMENTS

A summary of investments at June 30 is as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
US Mutual Funds	$ 428,543	$ 479,584	$ 403,554	$ 396,921
Foreign Mutual Funds	348,773	390,259	348,773	337,178
Exchange Traded Funds	400,810	452,439	336,983	348,481
Hedge Funds	90,974	101,685	122,152	125,541
Real Estate Funds	59,318	53,650	99,318	100,508
Commodity Funds	47,542	46,244	36,000	35,049
Bond Funds	892,535	896,660	726,649	722,480
Corporate Bonds	95,000	110,613	168,351	164,626
Total	$ 2,363,495	$ 2,531,134	$ 2,241,780	$ 2,230,784

NOTE 5 FAIR VALUE MEASUREMENTS

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Valuations based on quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2017 and 2016 are as follows:

	2017			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
US Mutual Funds	$ 479,584	$ -	$ -	$ 479,584
Foreign Mutual Funds	390,259	-	-	390,259
Exchange Traded Funds	452,439	-	-	452,439
Hedge Funds	101,685	-	-	101,685
Real Estate Funds	53,650	-	-	53,650
Commodity Funds	46,244	-	-	46,244
Bond Funds	896,660	-	-	896,660
Corporate Bonds	-	110,613	-	110,613
Total Investments	2,420,521	110,613	-	2,531,134
Beneficial Interest in Remainder Trust	-	-	237,951	237,951
Beneficial Interest in Hephzibah Children's Trust	-	-	2,186,009	2,186,009
Total	$ 2,420,521	$ 110,613	$ 2,423,960	$ 4,955,094

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
US Mutual Funds	$ 396,921	$ -	$ -	$ 396,921
Foreign Mutual Funds	337,178	-	-	337,178
Exchange Traded Funds	348,481	-	-	348,481
Hedge Funds	125,541	-	-	125,541
Real Estate Funds	100,508	-	-	100,508
Commodity Funds	35,049	-	-	35,049
Bond Funds	722,480	-	-	722,480
Corporate Bonds	-	164,626	-	164,626
Total Investments	2,066,158	164,626	-	2,230,784
Beneficial Interest in Remainder Trust	-	-	228,353	228,353
Beneficial Interest in Hephzibah Children's Trust	-	-	2,032,356	2,032,356
Total	$ 2,066,158	$ 164,626	$ 2,260,709	$ 4,491,493

Fair value for Level 1 investments is measured by reference to quoted market transactions that are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value for Level 2 investments is determined by reference to quoted market transactions for similar assets in active markets. Fair value for Level 3 beneficial interests in trusts is based upon the fair values of the underlying trust assets and other unobservable inputs.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the years ended June 30:

	Beneficial Interest in Remainder Trust	Beneficial Interest in Hephzibah Children's Trust
Fair Value - June 30, 2015	$ 228,774	$ 2,111,093
Change in Value of Trust	(421)	(78,737)
Fair Value - June 30, 2016	228,353	2,032,356
Change in Value of Trust	9,598	153,652
Fair Value - June 30, 2017	$ 237,951	$ 2,186,008

NOTE 6 RELATED PARTY TRANSACTIONS

The Association receives monetary support from the Trust. The Trust maintains investments for the sole purpose of earning capital appreciation. The returns on investments are used to support the operations of the Association. During the years ended June 30, 2017 and 2016, the Trust contributed approximately $68,000 and $10,000, respectively, to the Association.

NOTE 7 OBLIGATIONS UNDER CAPITAL LEASES

In 2013, the Association entered into a capital lease agreement and acquired office equipment with a value of $35,000. This capital lease agreement was terminated in February 2016. The Association entered into a new capital lease agreement and acquired office equipment with a value of $38,078. As of June 30, 2017 and 2016, cost and accumulated depreciation of office equipment under capital leases are as follows:

	2017	2016
Cost	$ 38,078	$ 38,078
Accumulated Depreciation	(8,411)	(1,450)
Total	29,667	36,628
Less Current Portion of Obligations Under Capital Leases	7,310	6,961
Noncurrent Portion of Obligations Under Capital Leases	$ 22,357	$ 29,667

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2017.

Year Ending June 30,	Amount
2018	$ 8,604
2019	8,604
2020	8,604
2021	6,477
Total	32,289
Imputed Interest	(2,622)
Present Value of Minimum Lease Payments	$ 29,667

NOTE 8 LINE OF CREDIT

The Association entered into a line of credit agreement, due on demand, on February 3, 2015 which will continue indefinitely until the parties to the agreement agree to terminate the agreement. This agreement provides for borrowings up to $500,000 and bears interest equal to the prime rate minus 0.50%. The prime rate was 4.25% and 3.50% at June 30, 2017 and 2016, respectively. Borrowings under the agreement are secured by the investments of the Association. There were no balances outstanding on the line of credit as of June 30, 2017 and 2016.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

The Association's temporarily restricted net assets at June 30, 2017 and 2016 totals $2,718,950 and $2,544,777, respectively, which is restricted for the following programs or time:

	2017	2016
Program Training	$ 14,638	$ 8,403
Sibling Camp	36,000	51,000
Education	91,008	184,262
Program Activities	21,368	29,189
Program Equipment	131,976	11,214
Beneficial Interest in Remainder Trust (Time)	237,951	228,353
Beneficial Interest in Hephzibah Children's Trust (Time)	2,186,009	2,032,356
Total	$ 2,718,950	$ 2,544,777

In fiscal year 2017 and 2016, $204,927 and $293,874, respectively, were released from restrictions, resulting from the Association's satisfaction of donor-imposed program restrictions.

NOTE 10 RETIREMENT PLAN

The Association maintains a 401(k) and profit sharing plan covering all employees who have met eligibility requirements. For the fiscal years ended June 30, 2017 and 2016, the Association contributed $260,913 and $256,422, respectively, to the plan. For fiscal years 2017 and 2016, the Association contributed 5% of gross salaries, of which $140,829 and $127,680, respectively, constituted the 401(k) match. The balance of the contribution to the plan was made at the discretion of the Association. The benefit contribution is included in employee benefits on the statements of functional expenses and directly related program services revenues.

NOTE 11 LEASES

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a 10-year term lease which expires in October 2017. This lease was amended in May 2017 and the lease term was extended through September 2022. The Association also utilizes certain items of office equipment under various operating lease agreements which expire in January 2020.

Estimated future minimum annual commitments under noncancelable operating leases are as follows:

Year Ending June 30,	Amount
2018	$ 196,573
2019	202,120
2020	206,320
2021	209,411
2022	217,788
Thereafter	54,975
Total	$ 1,087,187

Rent expense during fiscal years 2017 and 2016 was $201,926and $195,598, respectively.

NOTE 12 BENEFICIAL INTEREST IN REMAINDER TRUST

The Association has a beneficial interest in a remainder trust. Under the terms of the trust, distributions are made from the trust to designated beneficiaries for the remainder of the life of the last remaining beneficiary. Upon the death of the last remaining beneficiary 20% of the remainder of the assets in the trust will be transferred to the Association. All of the assets of the trust are administered and held in the custody of Northern Trust. The trust was established in 1951 and became irrevocable in 1957.

The Association values its interest in the trust using 20% of the fair value of the trust assets, as the last remaining beneficiary is in her nineties. As of June 30, 2017 and 2016, the value of the Association's interest in the remainder trust was $237,951and $228,353, respectively, and is reported on the statements of financial position. The change in value of beneficial interest in remainder trust is included in the change in temporarily restricted net assets in the statements of activities for the years ended June 30, 2017 and 2016.

NOTE 13 BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST

The Association has a beneficial interest in Hephzibah Children's Trust (the Trust). Under the terms of the Trust by-laws, the Trust is a supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code and is specifically organized and shall be operated for the benefit of and to support and carry out the purposes of the Association. Upon dissolution or liquidation of the Trust, the board of directors shall pay or make provision for the payment of all liabilities of the Trust, and transfer or convey all property and assets of any nature of the Trust to the Association.

The Association values its interest in the Trust using 100% of the net asset value of the Trust. As of June 30, 2017 and 2016, the value of the Association's interest in the Trust was $2,186,008 and $2,032,356, respectively, and is reported on the statements of financial position. The change in value of beneficial interest in Hephzibah Children's Trust is included in the change in temporarily restricted net assets in the statements of activities for the years ended June 30, 2017 and 2016.

NOTE 14 DUE TO ILLINOIS DEPARTMENT OF CHILDREN AND FAMILY SERVICES

The Association has an amount payable to the Illinois Department of Children and Family Services of $185,877 that has been on the Association's books since fiscal year June 30, 1998. This amount is payable to the Department if or when the Association ceases to contract with the Department.

NOTE 15 COMPLIANCE WITH GRANTOR RESTRICTIONS

Financial assistance from governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time. Management believes that any disallowance of expenditures under these grants would not be material.

NOTE 16 SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

NOTE 16 SIGNIFICANT CONCENTRATIONS (CONTINUED)

Concentration of Revenue

The Association receives a substantial amount of its revenue from grants and contracts with various governmental agencies. Approximately 63% and 67% of total support and revenues during the years ended June 30, 2017 and 2016, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 59% and 62% of total support and revenues in the years ended June 30, 2017 and 2016, respectively, was received from the Association's contracts with the Illinois Department of Child and Family Services.

Amounts due from the Illinois Department of Child and Family Services represent 82% and 69% of the total outstanding accounts receivable balance as of June 30, 2017 and 2016, respectively.

Concentration of Credit Risk

The Association maintains cash balances at several financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to $250,000. At June 30, 2017 and 2016 the Association's uninsured cash balances totaled $1,096,821and $773,226, respectively.

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 8, 2017, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to November 8, 2017 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2017.

CliftonLarsonAllen

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