

HEPHZIBAH CHILDREN'S ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 30, 2018

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,220,736	\$ 185,446	\$ 1,406,182
Certificates of Deposit	243,763	-	243,763
Accounts and Contributions Receivable, Net	872,062	-	872,062
Prepaid Expenses	138,360	-	138,360
Investments	2,629,931	-	2,629,931
Other Assets	3,180	-	3,180
Total Current Assets	5,108,032	185,446	5,293,478
BENEFICIAL INTEREST IN REMAINDER TRUST	-	251,429	251,429
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,271,565	2,271,565
PROPERTY AND EQUIPMENT, NET	1,509,773	-	1,509,773
Total Assets	\$ 6,617,805	\$ 2,708,440	\$ 9,326,245
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 476,689	\$ -	\$ 476,689
Accrued Salaries and Wages	349,905	-	349,905
Accrued Payroll Taxes	21,494	-	21,494
Obligations Under Capital Leases	7,678	-	7,678
Due to Illinois Department of Children and Family Services	185,877	-	185,877
Total Current Liabilities	1,041,643	-	1,041,643
NONCURRENT LIABILITIES			
Deferred Rent	11,739	-	11,739
Obligations Under Capital Leases	14,679	-	14,679
Total Noncurrent Liabilities	26,418	-	26,418
Total Liabilities	1,068,061	-	1,068,061
NET ASSETS	5,549,744	2,708,440	8,258,184
TOTAL LIABILITIES AND NET ASSETS	\$ 6,617,805	\$ 2,708,440	\$ 9,326,245

See accompanying Notes to Financial Statements.

**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	4,935,930	2,718,951	7,654,881
Total Liabilities and Net Assets	\$ 6,187,486	\$ 2,718,951	\$ 8,906,437

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	\$ 6,877,479	\$ -	\$ 6,877,479
United Way of Metropolitan Chicago	25,000	-	25,000
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	986,700	141,738	1,128,438
Special Events	382,812	-	382,812
Other Revenue:			
Program Service Fees and Grants	1,553,976	-	1,553,976
Interest, Dividend, and Other Income	63,691	-	63,691
Unrealized Gain	3,571	-	3,571
Realized Gain	84,846	-	84,846
Change in Value of Beneficial Interest in			
Remainder Trust	-	13,478	13,478
Change in Value of Beneficial Interest in			
Hephzibah Children's Trust	-	85,556	85,556
Net Assets Released from Restrictions Arising from			
Satisfaction of Program and Time Restrictions	251,283	(251,283)	-
Total Revenues and Support	10,229,358	(10,511)	10,218,847
EXPENSES			
Program Services	7,765,665	-	7,765,665
Management and General	1,301,025	-	1,301,025
Development	548,854	-	548,854
Total Expenses	9,615,544	-	9,615,544
CHANGE IN NET ASSETS	613,814	(10,511)	603,303
Net Assets - Beginning of Year	4,935,930	2,718,951	7,654,881
NET ASSETS - END OF YEAR	\$ 5,549,744	\$ 2,708,440	\$ 8,258,184

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	506,020	-	506,020
Other Revenue:			
Program Service Fees and Grants	1,570,570	-	1,570,570
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	-	9,598	9,598
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	9,849,746	174,174	10,023,920
EXPENSES			
Program Services	7,231,684	-	7,231,684
Management and General	1,698,679	-	1,698,679
Development	618,352	-	618,352
Total Expenses	9,548,715	-	9,548,715
CHANGE IN NET ASSETS	301,031	174,174	475,205
Net Assets - Beginning of Year	4,634,899	2,544,777	7,179,676
NET ASSETS - END OF YEAR	\$ 4,935,930	\$ 2,718,951	\$ 7,654,881

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES
YEAR ENDED JUNE 30, 2018**

	Program Services				
	Day Care	Family Services	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES					
Salaries	\$ 805,304	\$ 237,341	\$ 852,139	\$ 1,172,889	\$ 860,961
Employee Benefits	68,007	47,680	125,826	179,409	112,152
Payroll Taxes	75,193	22,190	79,475	108,808	80,417
Total Salaries and Related Expenses	948,504	307,211	1,057,440	1,461,106	1,053,530
Professional Fees and Contract					
Service Payments	67,215	13,716	154,746	51,557	35,092
Supplies	144,105	3,463	13,756	93,420	64,546
Telephone and Telegraph	13,469	2,487	8,900	8,469	6,449
Postage and Shipping	431	840	3,053	281	223
Occupancy	23,742	32,088	112,475	56,154	43,670
Printing and Reference Material	1,517	326	2,787	372	621
Local Transportation	11,956	25,922	67,192	11,806	12,529
Training, Conferences, and Major Trips	7,798	856	13,863	5,332	3,599
Specific Assistance to Individuals	29,523	110,944	858,646	18,497	13,970
Membership Dues	2,936	631	2,647	3,310	2,553
Equipment Rental, Repairs, and Maintenance	1,247	2,306	8,251	6,999	5,342
Costs of Direct Benefits to Donors	-	-	-	-	-
Miscellaneous	19,916	627	2,490	2,669	2,006
Total Functional Expenses, Before Depreciation	1,272,359	501,417	2,306,246	1,719,972	1,244,130
Depreciation	2,912	3,222	13,076	57,381	55,098
Total Functional Expenses	1,275,271	504,639	2,319,322	1,777,353	1,299,228
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	213,653	84,545	388,569	297,770	217,667
ALLOCATION OF DEVELOPMENT EXPENSES	90,132	35,666	163,923	125,618	91,826
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	<u>\$ 1,579,057</u>	<u>\$ 624,850</u>	<u>\$ 2,871,814</u>	<u>\$ 2,200,741</u>	<u>\$ 1,608,720</u>
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	\$ 13,595	\$ 594,275	\$ 2,649,184	\$ 1,719,494	\$ 1,293,285
Illinois Department of Human Services	60,920	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-
Other Government Agencies	6,284	-	3,715	63,348	42,234
Other	11,144	-	-	-	-
Program Service Fees and Grants	1,553,976	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	15,002	9,998
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	<u>\$ 1,645,919</u>	<u>\$ 594,275</u>	<u>\$ 2,652,899</u>	<u>\$ 1,797,844</u>	<u>\$ 1,345,517</u>

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, 2018**

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
\$ 2,118	\$ 302,587	\$ 45,166	\$ 4,278,505	\$ 938,340	\$ 219,798	\$ 1,158,138	\$ 5,436,643
452	58,240	9,764	601,530	125,515	23,720	149,235	750,765
178	28,009	4,204	398,474	84,520	19,960	104,480	502,954
<u>2,748</u>	<u>388,836</u>	<u>59,134</u>	<u>5,278,509</u>	<u>1,148,375</u>	<u>263,478</u>	<u>1,411,853</u>	<u>6,690,362</u>
349	7,434	8,509	338,618	43,113	82,236	125,349	463,967
20	33,394	4,627	357,331	8,205	2,622	10,827	368,158
17	2,545	467	42,803	5,107	1,823	6,930	49,733
-	73	161	5,062	1,725	5,239	6,964	12,026
90	17,990	5,846	292,055	57,855	24,857	82,712	374,767
-	315	6	5,944	1,885	27,254	29,139	35,083
-	1,383	66	130,854	5,591	623	6,214	137,068
-	1,641	1,211	34,300	7,477	1,619	9,096	43,396
4,858	4,201	25,348	1,065,987	-	-	-	1,065,987
5	1,278	-	13,360	471	-	471	13,831
11	1,675	457	26,288	4,572	1,785	6,357	32,645
-	-	-	-	-	124,228	124,228	124,228
<u>4</u>	<u>799</u>	<u>378</u>	<u>28,889</u>	<u>6,509</u>	<u>5,896</u>	<u>12,405</u>	<u>41,294</u>
8,102	461,564	106,210	7,620,000	1,290,885	541,660	1,832,545	9,452,545
65	13,299	612	145,665	10,140	7,194	17,334	162,999
<u>8,167</u>	<u>474,863</u>	<u>106,822</u>	<u>7,765,665</u>	<u>\$ 1,301,025</u>	<u>\$ 548,854</u>	<u>\$ 1,849,879</u>	<u>\$ 9,615,544</u>
1,368	79,556	17,896	1,301,025				
<u>577</u>	<u>33,562</u>	<u>7,550</u>	<u>548,854</u>				
<u>\$ 10,112</u>	<u>\$ 587,981</u>	<u>\$ 132,268</u>	<u>\$ 9,615,544</u>				
\$ -	\$ -	\$ -	\$ 6,269,833				
-	-	-	60,920				
-	368,903	-	368,903				
3,009	11,770	-	130,360				
-	28,820	-	39,964				
-	-	-	1,553,976				
-	-	-	25,000				
<u>\$ 3,009</u>	<u>\$ 409,493</u>	<u>\$ -</u>	<u>\$ 8,448,956</u>				

**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	<u>937,605</u>	<u>267,285</u>	<u>922,479</u>	<u>1,407,790</u>	<u>968,387</u>
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
Costs of Direct Benefits to Donors	-	-	-	-	-
Miscellaneous	7,735	665	2,523	2,662	1,889
Total Functional Expenses, Before Depreciation	<u>1,226,816</u>	<u>349,683</u>	<u>2,078,406</u>	<u>1,673,882</u>	<u>1,164,239</u>
Depreciation	3,741	3,916	15,421	58,229	50,947
Total Functional Expenses	<u>1,230,557</u>	<u>353,599</u>	<u>2,093,827</u>	<u>1,732,111</u>	<u>1,215,186</u>
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	289,050	83,058	491,827	406,862	285,440
ALLOCATION OF DEVELOPMENT EXPENSES	<u>105,220</u>	<u>30,235</u>	<u>179,035</u>	<u>148,106</u>	<u>103,905</u>
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	<u>\$ 1,624,827</u>	<u>\$ 466,892</u>	<u>\$ 2,764,689</u>	<u>\$ 2,287,079</u>	<u>\$ 1,604,531</u>
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	<u>\$ 1,646,635</u>	<u>\$ 414,638</u>	<u>\$ 2,393,719</u>	<u>\$ 1,753,189</u>	<u>\$ 1,273,250</u>

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
<u>3,695</u>	<u>374,433</u>	<u>64,056</u>	<u>4,945,730</u>	<u>1,443,026</u>	<u>266,515</u>	<u>1,709,541</u>	<u>6,655,271</u>
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
-	-	-	-	-	186,494	186,494	186,494
<u>6</u>	<u>603</u>	<u>2,735</u>	<u>18,818</u>	<u>11,530</u>	<u>6,264</u>	<u>17,794</u>	<u>36,612</u>
6,489	433,127	151,851	7,084,493	1,686,635	605,756	2,292,391	9,376,884
46	14,179	712	147,191	12,044	12,596	24,640	171,831
<u>6,535</u>	<u>447,306</u>	<u>152,563</u>	<u>7,231,684</u>	<u>\$ 1,698,679</u>	<u>\$ 618,352</u>	<u>\$ 2,317,031</u>	<u>\$ 9,548,715</u>
1,535	105,069	35,838	1,698,679				
<u>559</u>	<u>38,247</u>	<u>13,045</u>	<u>618,352</u>				
<u>\$ 8,629</u>	<u>\$ 590,622</u>	<u>\$ 201,446</u>	<u>\$ 9,548,715</u>				
\$ -	\$ -	\$ -	\$ 5,778,464				
-	-	-	47,330				
-	363,887	-	363,887				
4,053	10,592	3,746	70,336				
-	25,140	-	37,261				
-	-	-	1,570,571				
-	-	-	21,000				
<u>\$ 4,053</u>	<u>\$ 399,619</u>	<u>\$ 3,746</u>	<u>\$ 7,888,849</u>				

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 603,303	\$ 475,205
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	162,999	171,831
Provisions for Bad Debts	16,658	2,894
Unrealized Gain on Investments	(3,571)	(176,333)
Realized (Gain) Loss on Investments	(84,846)	1,595
Change in Value of Beneficial Interest in Remainder Trust	(13,478)	(9,597)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	(85,556)	(153,653)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(343,361)	28,456
Prepaid Expenses and Other Assets	8,706	(10,244)
Accounts Payable and Due to Agencies	(21,267)	60,179
Accrued Salaries and Wages	(167,608)	257,319
Accrued Payroll Taxes	951	6,171
Deferred Rent	11,739	-
Net Cash Provided by Operating Activities	84,669	653,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(287,925)	(258,672)
Purchases of Short-Term Investments	(248,118)	(547,081)
Proceeds from Sale of Investments	237,428	421,079
Net Cash Used by Investing Activities	(298,615)	(384,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(7,310)	(6,961)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(221,256)	262,188
Cash and Cash Equivalents - Beginning of Year	1,627,438	1,365,250
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,406,182	\$ 1,627,438
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 1,294	\$ 1,643

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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."

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017.

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. At June 30, 2018 and 2017 the allowance for doubtful accounts is \$16,006.

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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 and 2017. 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, 2018 and 2017.

NOTE 2 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	2018	2017
Illinois Department of Children and Family Services	\$ 719,212	370,549
Head Start Program (CHASI)	43,140	30,215
Illinois Department of Human Services	66,469	51,290
Parent Fees	16,554	68,375
Other	42,693	40,936
Total	888,068	561,365
Allowance for Doubtful Accounts	(16,006)	(16,006)
Total	<u>\$ 872,062</u>	<u>\$ 545,359</u>

Conditional promises to give at June 30, 2018 and 2017 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, 2018 and 2017.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 PROPERTY AND EQUIPMENT

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

	2018	2017
Land and Improvements	\$ 92,879	\$ 73,192
Buildings and Improvements	2,784,222	2,653,329
Furniture and Equipment	824,489	731,363
Telecommunications Equipment	109,032	102,472
Playground Equipment	277,884	277,884
Computer Equipment	525,714	501,956
Website Development	30,618	30,618
Vehicles	149,561	152,550
Total	4,794,399	4,523,364
Accumulated Depreciation	(3,284,626)	(3,138,517)
Total	\$ 1,509,773	\$ 1,384,847

NOTE 4 INVESTMENTS

A summary of investments at June 30 is as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
U.S. Mutual Funds	\$ 426,774	\$ 504,035	\$ 428,543	\$ 479,584
Foreign Mutual Funds	388,743	447,572	348,773	390,259
Exchange Traded Funds	332,525	393,548	400,810	452,439
Hedge Funds	90,974	104,224	90,974	101,685
Real Estate Funds	59,318	48,834	59,318	53,650
Commodity Funds	45,035	42,630	47,542	46,244
Bond Funds	1,111,534	1,089,088	892,535	896,660
Corporate Bonds	-	-	95,000	110,613
Total	\$ 2,454,903	\$ 2,629,931	\$ 2,363,495	\$ 2,531,134

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:

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017 are as follows:

Description	2018			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Mutual Funds	\$ 504,035	\$ -	\$ -	\$ 504,035
Foreign Mutual Funds	447,572	-	-	447,572
Exchange Traded Funds	393,548	-	-	393,548
Hedge Funds	104,224	-	-	104,224
Real Estate Funds	48,834	-	-	48,834
Commodity Funds	42,630	-	-	42,630
Bond Funds	1,089,088	-	-	1,089,088
Total Investments	<u>2,629,931</u>	<u>-</u>	<u>-</u>	<u>2,629,931</u>
Beneficial Interest in Remainder Trust	-	-	251,429	251,429
Beneficial Interest in Hephzibah Children's Trust	-	-	2,271,565	2,271,565
Total	<u>\$ 2,629,931</u>	<u>\$ -</u>	<u>\$ 2,522,994</u>	<u>\$ 5,152,925</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Description	2017			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. 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	<u>2,420,521</u>	<u>110,613</u>	<u>-</u>	<u>2,531,134</u>
Beneficial Interest in Remainder Trust	-	-	237,951	237,951
Beneficial Interest in Hephzibah Children's Trust	-	-	2,186,009	2,186,009
Total	<u>\$ 2,420,521</u>	<u>\$ 110,613</u>	<u>\$ 2,423,960</u>	<u>\$ 4,955,094</u>

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 assets in less 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, 2016	\$ 228,353	\$ 2,032,356
Change in Value of Trust	9,598	153,653
Fair Value - June 30, 2017	237,951	2,186,009
Change in Value of Trust	13,478	85,556
Fair Value - June 30, 2018	<u>\$ 251,429</u>	<u>\$ 2,271,565</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, the Trust contributed approximately \$45,000 and \$68,000, respectively, to the Association. Of the total contributed \$12,905 and \$10,761 as of June 30, 2018 and 2017, respectively, are included in accounts and contributions receivable.

NOTE 7 OBLIGATIONS UNDER CAPITAL LEASES

In 2016, the Association entered into a capital lease agreement and acquired office equipment with a value of \$38,078. As of June 30, 2018 and 2017, cost and accumulated depreciation of office equipment under capital leases are as follows:

	<u>2018</u>	<u>2017</u>
Cost	\$ 38,078	\$ 38,078
Accumulated Depreciation	(15,721)	(8,411)
Total	<u>22,357</u>	<u>29,667</u>
Less Current Portion of Obligations Under Capital Leases	<u>7,678</u>	<u>7,310</u>
Noncurrent Portion of Obligations Under Capital Leases	<u>\$ 14,679</u>	<u>\$ 22,357</u>

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, 2018.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 8,604
2020	8,604
2021	8,604
2022	6,477
Total	<u>32,289</u>
Imputed Interest	(9,932)
Present Value of Minimum Lease Payments	<u>\$ 22,357</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 5.00% and 4.25% at June 30, 2018 and 2017, 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, 2018 and 2017.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

The Association's temporarily restricted net assets at June 30, 2018 and 2017 totals \$2,708,440 and \$2,718,950, respectively, which is restricted for the following programs or time:

	<u>2018</u>	<u>2017</u>
Program Training	\$ 3,826	\$ 14,638
Sibling Camp	28,000	36,000
Education	50,610	91,008
Program Activities	24,574	21,368
Program Equipment	8,436	131,976
Therapy and Clinical Advocacy	70,000	-
Beneficial Interest in Remainder Trust (Time)	251,429	237,951
Beneficial Interest in Hephzibah Children's Trust (Time)	<u>2,271,565</u>	<u>2,186,009</u>
Total	<u>\$ 2,708,440</u>	<u>\$ 2,718,950</u>

In fiscal year 2018 and 2017, \$251,283 and \$204,927, 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, 2018 and 2017, the Association contributed \$272,087 and \$260,913, respectively, to the plan. For fiscal years 2018 and 2017, the Association contributed 5% of gross salaries, of which \$158,820 and \$140,829, 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.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 LEASES

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a lease expiring in 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 357,208
2020	361,408
2021	329,939
2022	278,015
2023	54,975
Total	<u>\$ 1,381,545</u>

Rent expense during fiscal years 2018 and 2017 was \$220,928 and \$201,926, 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, 2018 and 2017, the value of the Association's interest in the remainder trust was \$251,429 and \$237,951, 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, 2018 and 2017.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, the value of the Association's interest in the Trust was \$2,271,565 and \$2,186,009, 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, 2018 and 2017.

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:

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 68% and 63% of total support and revenues during the years ended June 30, 2018 and 2017, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 62% and 59% of total support and revenues in the years ended June 30, 2018 and 2017, 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 37% and 82% of the total outstanding accounts receivable balance as of June 30, 2018 and 2017, 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, 2018 and 2017, the Association's uninsured cash balances totaled \$926,813 and \$1,096,821, respectively.

NOTE 17 RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2017 financial statement amounts in order to conform to the June 30, 2018 presentation. These reclassifications have had no impact on the total assets, net assets, or changes in net assets previously reported.

NOTE 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 30, 2018, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to October 30, 2018 that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, 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, 2018.



Investment advisory services are offered through CliftonLarsonAllen
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