

**HEPHZIBAH CHILDREN'S ASSOCIATION  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**



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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, 2020 and 2019, 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, 2020 and 2019, 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 January 8, 2021, 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  
January 8, 2021

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 2,854,783	\$ 184,692	\$ 3,039,475
Certificates of Deposit	244,416	-	244,416
Accounts and Contributions Receivable, Net	1,034,131	60,000	1,094,131
Pledge Receivable	-	112,500	112,500
Prepaid Expenses	155,195	-	155,195
Investments	2,831,218	-	2,831,218
Other Assets	700	-	700
Total Current Assets	7,120,443	357,192	7,477,635
<b>PLEDGE RECEIVABLE</b> , Less Current Portion Above	-	190,656	190,656
<b>BENEFICIAL INTEREST IN REMAINDER TRUST</b>	-	261,705	261,705
<b>BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST</b>	-	2,332,247	2,332,247
<b>PROPERTY AND EQUIPMENT, NET</b>	1,670,958	-	1,670,958
Total Assets	\$ 8,791,401	\$ 3,141,800	\$ 11,933,201
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 486,948	\$ -	\$ 486,948
Accrued Salaries and Wages	455,821	-	455,821
Accrued Payroll Taxes	19,592	-	19,592
Deferred Revenue	59,796	-	59,796
Obligations Under Capital Leases	15,418	-	15,418
Short-Term Portion of PPP Loan	443,904	-	443,904
Total Current Liabilities	1,481,479	-	1,481,479
<b>NONCURRENT LIABILITIES</b>			
Deferred Rent	24,019	-	24,019
Obligations Under Capital Leases	33,499	-	33,499
Long-Term Portion of PPP Loan	720,486	-	720,486
Total Noncurrent Liabilities	778,004	-	778,004
Total Liabilities	2,259,483	-	2,259,483
<b>NET ASSETS</b>	6,531,918	3,141,800	9,673,718
Total Liabilities and Net Assets	\$ 8,791,401	\$ 3,141,800	\$ 11,933,201

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,770,939	\$ 110,131	\$ 1,881,070
Certificates of Deposit	244,172	-	244,172
Accounts and Contributions Receivable, Net	666,099	-	666,099
Pledge Receivable	-	100,000	100,000
Prepaid Expenses	131,865	-	131,865
Investments	2,685,857	-	2,685,857
Other Assets	3,180	-	3,180
Total Current Assets	5,502,112	210,131	5,712,243
<b>PLEDGE RECEIVABLE</b> , Less Current Portion Above	-	269,793	269,793
<b>BENEFICIAL INTEREST IN REMAINDER TRUST</b>	-	265,482	265,482
<b>BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST</b>	-	2,384,914	2,384,914
<b>PROPERTY AND EQUIPMENT, NET</b>	1,644,938	-	1,644,938
Total Assets	\$ 7,147,050	\$ 3,130,320	\$ 10,277,370
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 444,349	\$ -	\$ 444,349
Accrued Salaries and Wages	348,028	-	348,028
Accrued Payroll Taxes	18,786	-	18,786
Deferred Revenue - DCFS	74,206	-	74,206
Obligations Under Capital Leases	8,104	-	8,104
Total Current Liabilities	893,473	-	893,473
<b>NONCURRENT LIABILITIES</b>			
Deferred Rent	21,751	-	21,751
Obligations Under Capital Leases	6,575	-	6,575
Total Noncurrent Liabilities	28,326	-	28,326
Total Liabilities	921,799	-	921,799
<b>NET ASSETS</b>	6,225,251	3,130,320	9,355,571
Total Liabilities and Net Assets	\$ 7,147,050	\$ 3,130,320	\$ 10,277,370

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Fees and Grants from Government Agencies	\$ 7,120,492	\$ -	\$ 7,120,492
United Way of Metropolitan Chicago	20,500	-	20,500
Public Support:			
Individual, Corporate and Foundation Contributions and Grants	1,251,308	191,585	1,442,893
Special Events	463,988	-	463,988
In-Kind Contributions	181,883	-	181,883
Other Revenue:			
Program Service Fees and Grants	1,336,818	-	1,336,818
Interest, Dividend, and Other Income	69,956	-	69,956
Unrealized Gain	24,729	-	24,729
Realized Gain	32,383	-	32,383
Change in Value of Beneficial Interest in Remainder Trust	-	(3,777)	(3,777)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	(52,667)	(52,667)
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	123,661	(123,661)	-
Total Revenues and Support	<u>10,625,718</u>	<u>11,480</u>	<u>10,637,198</u>
<b>EXPENSES</b>			
Program Services	8,452,585	-	8,452,585
Management and General Development	1,102,583	-	1,102,583
Development	763,883	-	763,883
Total Expenses	<u>10,319,051</u>	<u>-</u>	<u>10,319,051</u>
<b>CHANGE IN NET ASSETS</b>	306,667	11,480	318,147
Net Assets - Beginning of Year	<u>6,225,251</u>	<u>3,130,320</u>	<u>9,355,571</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,531,918</u>	<u>\$ 3,141,800</u>	<u>\$ 9,673,718</u>

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Fees and Grants from Government Agencies	\$ 7,056,507	\$ -	\$ 7,056,507
United Way of Metropolitan Chicago	25,000	-	25,000
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	930,968	432,474	1,363,442
Special Events	457,367	-	457,367
Other Revenue:			
Program Service Fees and Grants	1,702,650	-	1,702,650
Interest, Dividend, and Other Income	210,283	-	210,283
Unrealized Gain	5,027	-	5,027
Realized Gain	46,316	-	46,316
Change in Value of Beneficial Interest in			
Remainder Trust	-	14,053	14,053
Change in Value of Beneficial Interest in			
Hephzibah Children's Trust	-	113,349	113,349
Net Assets Released from Restrictions Arising from			
Satisfaction of Program and Time Restrictions	137,996	(137,996)	-
Total Revenues and Support	10,572,114	421,880	10,993,994
<b>EXPENSES</b>			
Program Services	8,142,659	-	8,142,659
Management and General	1,093,333	-	1,093,333
Development	660,615	-	660,615
Total Expenses	9,896,607	-	9,896,607
<b>CHANGE IN NET ASSETS</b>	675,507	421,880	1,097,387
Net Assets - Beginning of Year	5,549,744	2,708,440	8,258,184
<b>NET ASSETS - END OF YEAR</b>	\$ 6,225,251	\$ 3,130,320	\$ 9,355,571

See accompanying Notes to Financial Statements.



**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES  
YEAR ENDED JUNE 30, 2020**

	Program Services						
	Day Care	Family Intact Services	Foster Care	Diagnostic Treatment Center	Residence	Community Support	Head Start
<b>FUNCTIONAL EXPENSES</b>							
Salaries	\$ 915,698	\$ 458,614	\$ 815,509	\$ 1,361,405	\$ 1,007,511	\$ 63	\$ 301,971
Employee Benefits	79,857	80,939	128,310	183,187	103,837	12	56,484
Payroll Taxes	82,685	41,528	74,161	116,284	87,708	5	27,824
Total Salaries and Related Expenses	<u>1,078,240</u>	<u>581,081</u>	<u>1,017,980</u>	<u>1,660,876</u>	<u>1,199,056</u>	<u>80</u>	<u>386,279</u>
Professional Fees and Contract							
Service Payments	68,879	38,963	178,363	46,277	32,977	-	7,384
Supplies	137,873	4,634	12,424	107,158	77,845	-	22,841
Telephone and Telegraph	15,270	9,058	20,334	7,410	5,611	-	1,954
Postage and Shipping	451	975	1,729	627	500	-	173
Occupancy	29,802	50,904	88,164	74,374	59,432	-	12,877
Printing and Reference Material	9,515	3,701	5,318	8,460	7,272	-	805
Local Transportation	10,427	25,763	51,193	13,459	12,066	-	741
Training, Conferences, and Major Trips	6,095	616	4,616	3,677	2,676	-	722
Specific Assistance to Individuals	25,879	32,931	702,753	19,324	15,872	788	4,677
Membership Dues	5,100	884	1,948	2,713	2,087	-	672
Equipment Rental, Repairs, and Maintenance	2,273	2,684	3,613	6,731	5,138	-	1,344
Costs of Direct Benefits to Donors:							
Food and Beverage	-	-	-	-	-	-	-
Facility Costs	-	-	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-	-	-
Auctioneers and Auction Items	-	-	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-	-	-
Miscellaneous	26,116	16,046	27,617	41,813	29,583	-	793
Total Functional Expenses, Before Depreciation	1,415,920	768,240	2,116,052	1,992,899	1,450,115	868	441,262
Depreciation	3,940	8,620	16,273	66,253	62,546	-	13,322
Total Functional Expenses	<u>1,419,860</u>	<u>776,860</u>	<u>2,132,325</u>	<u>2,059,152</u>	<u>1,512,661</u>	<u>868</u>	<u>454,584</u>
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	185,211	101,336	278,148	268,603	197,317	113	59,298
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	<u>128,317</u>	<u>70,207</u>	<u>192,704</u>	<u>186,091</u>	<u>136,703</u>	<u>78</u>	<u>41,082</u>
Total Program Services and Supporting Services Expenses	<u>\$ 1,733,388</u>	<u>\$ 948,403</u>	<u>\$ 2,603,177</u>	<u>\$ 2,513,846</u>	<u>\$ 1,846,681</u>	<u>\$ 1,059</u>	<u>\$ 554,964</u>
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>							
Fees and Grants from Government Agencies:							
Illinois Department of Children and Family Services	\$ 5,062	\$ 929,059	\$ 2,411,750	\$ 1,833,336	\$ 1,392,129	\$ -	\$ -
Illinois Department of Human Services	61,531	-	-	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-	-	308,751
Other Government Agencies	22,793	-	5,520	71,708	49,232	1,124	-
Other	11,971	-	-	-	-	-	16,528
Program Service Fees and Grants	1,336,818	-	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	12,302	8,198	-	-
Total Directly Related Program Services Revenues	<u>\$ 1,438,175</u>	<u>\$ 929,059</u>	<u>\$ 2,417,270</u>	<u>\$ 1,917,346</u>	<u>\$ 1,449,559</u>	<u>\$ 1,124</u>	<u>\$ 325,279</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, 2020**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
<b>FUNCTIONAL EXPENSES</b>						
Salaries	\$ 42,278	\$ 4,903,049	\$ 792,198	\$ 336,720	\$ 1,128,918	\$ 6,031,967
Employee Benefits	9,960	642,586	99,866	38,957	138,823	781,409
Payroll Taxes	3,803	433,998	63,347	30,092	93,439	527,437
Total Salaries and Related Expenses	56,041	5,979,633	955,411	405,769	1,361,180	7,340,813
Professional Fees and Contract						
Service Payments	9,136	381,979	43,710	73,659	117,369	499,348
Supplies	3,118	365,893	6,046	3,432	9,478	375,371
Telephone and Telegraph	553	60,190	4,863	2,852	7,715	67,905
Postage and Shipping	107	4,562	857	4,062	4,919	9,481
Occupancy	5,510	321,063	47,405	28,555	75,960	397,023
Printing and Reference Material	22	35,093	2,734	18,752	21,486	56,579
Local Transportation	-	113,649	3,856	932	4,788	118,437
Training, Conferences, and Major Trips	1,038	19,440	3,248	4,357	7,605	27,045
Specific Assistance to Individuals	17,650	819,874	-	-	-	819,874
Membership Dues	-	13,404	3,934	799	4,733	18,137
Equipment Rental, Repairs, and Maintenance	228	22,011	2,214	1,175	3,389	25,400
Costs of Direct Benefits to Donors:						
Food and Beverage	-	-	-	70,122	70,122	70,122
Facility Costs	-	-	-	13,750	13,750	13,750
Entertainment and Supplies	-	-	-	12,291	12,291	12,291
Auctioneers and Auction Items	-	-	-	11,134	11,134	11,134
Other Costs of Direct Benefits to Donors	-	-	-	36,156	36,156	36,156
Miscellaneous	2,038	144,006	13,966	71,783	85,749	229,755
Total Functional Expenses, Before Depreciation	95,441	8,280,797	1,088,244	759,580	1,847,824	10,128,621
Depreciation	834	171,788	14,339	4,303	18,642	190,430
Total Functional Expenses	96,275	8,452,585	\$ 1,102,583	\$ 763,883	\$ 1,866,466	\$ 10,319,051
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	12,559	1,102,585				
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	8,701	763,883				
Total Program Services and Supporting Services Expenses	\$ 117,535	\$ 10,319,053				
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 6,571,336				
Illinois Department of Human Services	-	61,531				
Head Start - Children's Home + Aid	-	308,751				
Other Government Agencies	-	150,377				
Other	-	28,497				
Program Service Fees and Grants	-	1,336,818				
United Way of Metropolitan Chicago	-	20,500				
Total Directly Related Program Services Revenues	\$ -	\$ 8,477,810				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES  
YEAR ENDED JUNE 30, 2019**

	Program Services						
	Day Care	Family Intact Services	Foster Care	Diagnostic Treatment Center	Residence	Community Support	Head Start
<b>FUNCTIONAL EXPENSES</b>							
Salaries	\$ 837,389	\$ 369,447	\$ 917,061	\$ 1,274,268	\$ 907,258	\$ 573	\$ 303,669
Employee Benefits	69,762	71,545	128,008	180,157	98,639	120	55,633
Payroll Taxes	77,002	33,517	84,593	116,384	83,873	48	27,874
Total Salaries and Related Expenses	984,153	474,509	1,129,662	1,570,809	1,089,770	741	387,176
Professional Fees and Contract							
Service Payments	72,666	24,632	154,949	49,192	35,953	15	8,248
Supplies	146,267	3,593	10,407	98,020	69,295	6	32,587
Telephone and Telegraph	14,431	6,027	16,486	8,200	6,049	4	2,380
Postage and Shipping	319	675	2,016	293	211	-	66
Occupancy	26,714	42,151	107,496	50,461	39,102	20	11,845
Printing and Reference Material	2,450	834	2,250	3,532	2,744	-	1,314
Local Transportation	13,795	32,373	69,198	18,750	12,574	-	2,095
Training, Conferences, and Major Trips	6,745	1,046	5,507	7,438	5,049	-	1,212
Specific Assistance to Individuals	37,121	41,851	825,772	22,948	16,550	1,119	5,297
Membership Dues	2,203	989	2,421	2,616	1,950	1	648
Equipment Rental, Repairs, and Maintenance	1,226	2,395	6,012	7,027	5,197	3	1,613
Costs of Direct Benefits to Donors:							
Food and Beverage	-	-	-	-	-	-	-
Facility Costs	-	-	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-	-	-
Auctioneers	-	-	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-	-	-
Miscellaneous	22,518	3,896	3,845	7,794	3,077	-	2,123
Total Functional Expenses, Before Depreciation	1,330,608	634,971	2,336,021	1,847,080	1,287,521	1,909	456,604
Depreciation	2,905	5,255	14,624	60,837	58,197	16	12,807
Total Functional Expenses	1,333,513	640,226	2,350,645	1,907,917	1,345,718	1,925	469,411
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	179,054	85,965	315,626	256,180	180,692	259	63,029
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	108,188	51,942	190,708	154,790	109,178	156	38,083
Total Program Services and Supporting Services Expenses	<u>\$ 1,620,755</u>	<u>\$ 778,133</u>	<u>\$ 2,856,979</u>	<u>\$ 2,318,887</u>	<u>\$ 1,635,588</u>	<u>\$ 2,340</u>	<u>\$ 570,523</u>
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>							
Fees and Grants from Government Agencies:							
Illinois Department of Children and Family Services	\$ 8,387	\$ 726,491	\$ 2,618,457	\$ 1,753,784	\$ 1,311,000	\$ -	\$ -
Illinois Department of Human Services	77,014	-	-	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-	-	358,770
Other Government Agencies	10,351	-	5,063	77,884	51,926	1,097	16,164
Other	14,648	-	-	-	-	-	22,471
Program Service Fees and Grants	1,702,650	-	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	15,002	9,998	-	-
Total Directly Related Program Services Revenues	<u>\$ 1,813,050</u>	<u>\$ 726,491</u>	<u>\$ 2,623,520</u>	<u>\$ 1,846,670</u>	<u>\$ 1,372,924</u>	<u>\$ 1,097</u>	<u>\$ 397,405</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, 2019**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
<b>FUNCTIONAL EXPENSES</b>						
Salaries	\$ 40,352	\$ 4,650,017	\$ 751,822	\$ 310,563	\$ 1,062,385	\$ 5,712,402
Employee Benefits	9,835	613,699	105,752	34,201	139,953	753,652
Payroll Taxes	3,711	427,002	63,753	27,913	91,666	518,668
Total Salaries and Related Expenses	53,898	5,690,718	921,327	372,677	1,294,004	6,984,722
Professional Fees and Contract						
Service Payments	6,619	352,274	74,856	69,035	143,891	496,165
Supplies	1,666	361,841	5,226	2,807	8,033	369,874
Telephone and Telegraph	411	53,988	3,889	1,987	5,876	59,864
Postage and Shipping	90	3,670	700	3,847	4,547	8,217
Occupancy	5,464	283,253	46,840	27,334	74,174	357,427
Printing and Reference Material	8	13,132	1,512	18,643	20,155	33,287
Local Transportation	123	148,908	4,336	616	4,952	153,860
Training, Conferences, and Major Trips	614	27,611	8,143	1,531	9,674	37,285
Specific Assistance to Individuals	23,324	973,982	-	-	-	973,982
Membership Dues	-	10,828	684	-	684	11,512
Equipment Rental, Repairs, and Maintenance	321	23,794	2,979	1,551	4,530	28,324
Costs of Direct Benefits to Donors:						
Food and Beverage	-	-	-	53,749	53,749	53,749
Facility Costs	-	-	-	16,300	16,300	16,300
Entertainment and Supplies	-	-	-	12,465	12,465	12,465
Auctioneers	-	-	-	15,796	15,796	15,796
Other Costs of Direct Benefits to Donors	-	-	-	53,564	53,564	53,564
Miscellaneous	125	43,378	11,968	5,613	17,581	60,959
Total Functional Expenses, Before Depreciation	92,663	7,987,377	1,082,460	657,515	1,739,975	9,727,352
Depreciation	641	155,282	10,873	3,100	13,973	169,255
Total Functional Expenses	93,304	8,142,659	\$ 1,093,333	\$ 660,615	\$ 1,753,948	\$ 9,896,607
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	12,528	1,093,333				
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	7,570	660,615				
Total Program Services and Supporting Services Expenses	\$ 113,402	\$ 9,896,607				
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 6,418,119				
Illinois Department of Human Services	-	77,014				
Head Start - Children's Home + Aid	-	358,770				
Other Government Agencies	-	162,485				
Other	-	37,119				
Program Service Fees and Grants	-	1,702,650				
United Way of Metropolitan Chicago	-	25,000				
Total Directly Related Program Services Revenues	\$ -	\$ 8,781,157				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 318,147	\$ 1,097,387
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	190,430	169,255
Bad Debt Expense	11,924	24,704
Unrealized Gain on Investments	(24,729)	(5,027)
Realized Gain on Investments	(32,383)	(46,316)
Change in Value of Beneficial Interest in Remainder Trust	3,777	(14,053)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	52,667	(113,349)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(439,956)	181,259
Pledge Receivable	66,637	(369,793)
Prepaid Expenses and Other Assets	(20,850)	6,495
Accounts Payable and Due to Agencies	42,599	(32,340)
Accrued Salaries and Wages	107,793	(1,877)
Accrued Payroll Taxes	806	(2,708)
Deferred Revenue and Rent	(12,142)	(101,659)
Net Cash Provided by Operating Activities	264,720	791,978
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of Property and Equipment	(167,376)	(304,420)
Purchases of Short-Term Investments	(1,122,580)	(700,309)
Proceeds from Sale of Investments	1,034,087	695,317
Net Cash Used by Investing Activities	(255,869)	(309,412)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	1,164,390	-
Principal Payments on Capital Lease Obligations	(14,836)	(7,678)
Net Cash Provided (Used) by Financing Activities	1,149,554	(7,678)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,158,405	474,888
Cash and Cash Equivalents - Beginning of Year	1,881,070	1,406,182
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,039,475	\$ 1,881,070
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 3,888	\$ 868

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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 15).

**Basis of Accounting**

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

**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, 2020 and 2019, the allowance for doubtful accounts is \$30,619 and \$35,000, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments consist of mutual funds, exchange traded funds, hedge funds, real estate funds, commodity funds, and bond funds. Investments are carried at fair value with unrealized and realized gains and losses on investments reported as increases and decreases in net assets without donor restrictions. 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 7.

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 subject to donor restrictions (see Note 15).

**Beneficial Interest in Hephzibah Children's Trust**

The Association is the beneficiary of the net assets of Hephzibah Children's Trust and is subject to donor restrictions (see Note 16).

**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 to 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.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2020 and 2019, the Association had no net assets with perpetual donor restrictions.

**Revenue Recognition**

Contributions are recorded as revenue in the period received. Contributions are considered to be available for general operations and use unless specifically restricted by the donor or funding agency. Unconditional promises to give are reported at fair value at the date the promise or pledge is received. Pledges receivable are reduced by a valuation allowance that reflects management's best assessment of collectability based on specific donor information. 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.

**In-Kind Contributions**

The Association policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made.

**Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits that are not a direct expenses are allocated on the basis of estimates of time and effort. Management and general expenses are allocated to programs based on a programs total expense ratio to all program expenses. All other allocated expenses are allocated based on full-time equivalent (FTE) determinations. The expenses that are allocated based on FTE's include depreciation, equipment rental, maintenance and repair, occupancy, facility repairs and maintenance, communications and information technology, office and general supplies and services, general staff training and relations, liability insurance and interest.



**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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, 2020 and 2019. The Association files tax returns in the U.S. federal jurisdiction and one state. There are no uncertain tax positions for the years ended June 30, 2020 and 2019.

**Adoption of New Accounting Standard**

In June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this standard did not impact the Association's financial statements.

**Pending Pronouncements**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts. The guidance requires the Association to recognize revenue to depict the transfer of goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts. Additionally, qualitative and quantitative disclosures are required regarding contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard was initially effective for the Association for the year ending June 30, 2020. However, in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), *Effective Dates for Certain Entities*. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the Association had not issued their financial statements as of the date of this ASU, they elected the deferral and will adopt the guidance for Topic 606 for the fiscal year ending June 30, 2021.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Pronouncements (Continued)**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Association's leasing activities. The amendments in the guidance are effective for the Association for the year ending June 30, 2023. Early adoption is permitted.

Management is evaluating the impact of these pronouncements on the Association's financial statements.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Association regularly monitors liquidity requirements and structures its financial assets to be available to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has a goal to maintain financial assets, which consists of cash and short-term investments, on hand to meet six weeks of normal operating expenses, which are, on average, approximately \$1.2M. As part of its liquidity management, the Association invests cash in excess of daily requirements in an overnight sweep account and short-term investments including certificate of deposits and money market accounts.

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

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 3,039,475	\$ 1,881,070
Certificates of Deposit Maturing Within One Year	244,416	244,172
Accounts Receivable, Net	1,094,131	666,099
Pledge Receivable Due Within One Year	112,500	100,000
Investments	<u>2,831,218</u>	<u>2,685,857</u>
Total	7,321,740	5,577,198
Less:		
Amounts Restricted to Specific Programs or Activities	(184,692)	(110,131)
Amounts set Aside for Mid- to Long-Term Investing	<u>(2,831,218)</u>	<u>(2,685,857)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,305,830</u>	<u>\$ 2,781,210</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Association's accounts and pledge receivables are subject to time restrictions but available for general operations upon receipt. To help manage seasonal liquidity needs, the Association maintains a credit facility with a local bank that provides for borrowings up to \$500,000. There were no amounts outstanding on the line of credit as of June 30, 2019. The line of credit was closed as of October 21, 2019. Additionally, the Association has a beneficial interest in the Hephzibah Children's Trust that provides financial support to the Association. Funds can be granted from the Trust to the Association when approved by the Trust's board of directors.

**NOTE 3 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Illinois Department of Children and Family Services	\$ 915,846	\$ 582,880
Head Start Program (CHASI)	33,032	42,662
Illinois Department of Human Services	59,450	21,164
Parent Fees	5,999	14,729
Other	110,423	39,664
Total	<u>1,124,750</u>	<u>701,099</u>
Allowance for Doubtful Accounts	<u>(30,619)</u>	<u>(35,000)</u>
Total	<u><u>\$ 1,094,131</u></u>	<u><u>\$ 666,099</u></u>

Conditional promises to give at June 30, 2020 and 2019 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, 2020 and 2019.

**NOTE 4 PLEDGE RECEIVABLE**

Pledges receivable consist of pledges that are expected to be collected during the following fiscal years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 112,500
2022	100,000
2023	100,000
Total Pledges Receivable	<u>312,500</u>
Less: Discount to Net Present Value	<u>(9,344)</u>
Total	<u><u>\$ 303,156</u></u>

The discount rate used was 3.25% and 5.50% for the years ended June 30, 2020 and 2019, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 167,239	\$ 92,879
Buildings and Improvements	3,086,232	3,016,883
Furniture and Equipment	900,385	844,549
Telecommunications Equipment	134,136	130,951
Playground Equipment	275,064	275,064
Computer Equipment	402,620	388,900
Website Development	41,668	41,668
Vehicles	130,130	149,561
Total	<u>5,137,474</u>	<u>4,940,455</u>
Accumulated Depreciation	<u>(3,466,516)</u>	<u>(3,295,517)</u>
Total	<u>\$ 1,670,958</u>	<u>\$ 1,644,938</u>

**NOTE 6 INVESTMENTS**

A summary of investments at June 30 is as follows:

	<u>2020</u>		<u>2019</u>	
	Cost	Fair Value	Cost	Fair Value
U.S. Mutual Funds	\$ 826,262	\$ 979,869	\$ 556,655	\$ 691,854
Foreign Mutual Funds	111,310	123,062	278,973	305,983
Exchange Traded Funds	245,000	256,616	205,291	208,051
Hedge Funds	-	-	90,974	96,988
Real Estate Funds	99,248	76,041	99,248	94,829
Commodity Funds	-	-	43,042	40,412
Bond Funds	1,657,351	1,395,630	1,227,351	1,247,740
Total	<u>\$ 2,939,171</u>	<u>\$ 2,831,218</u>	<u>\$ 2,501,534</u>	<u>\$ 2,685,857</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 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:

*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, 2020 and 2019 are as follows:

Description	2020			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	\$ 979,869	\$ -	\$ -	\$ 979,869
Foreign Mutual Funds	123,062	-	-	123,062
Exchange Traded Funds	256,616	-	-	256,616
Hedge Funds	-	-	-	-
Real Estate Funds	76,041	-	-	76,041
Commodity Funds	-	-	-	-
Bond Funds	1,395,630	-	-	1,395,630
Total Investments	2,831,218	-	-	2,831,218
Beneficial Interest in Remainder Trust	-	-	261,705	261,705
Beneficial Interest in Hephzibah Children's Trust	-	-	2,332,247	2,332,247
Total	\$ 2,831,218	\$ -	\$ 2,593,952	\$ 5,425,170

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

Description	2019			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	\$ 691,854	\$ -	\$ -	\$ 691,854
Foreign Mutual Funds	305,983	-	-	305,983
Exchange Traded Funds	208,051	-	-	208,051
Hedge Funds	96,988	-	-	96,988
Real Estate Funds	94,829	-	-	94,829
Commodity Funds	40,412	-	-	40,412
Bond Funds	1,247,740	-	-	1,247,740
Total Investments	<u>2,685,857</u>	-	-	2,685,857
Beneficial Interest in Remainder Trust	-	-	265,482	265,482
Beneficial Interest in Hephzibah Children's Trust	-	-	2,384,914	2,384,914
Total	<u>\$ 2,685,857</u>	<u>\$ -</u>	<u>\$ 2,650,396</u>	<u>\$ 5,336,253</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, 2018	\$ 251,429	\$ 2,271,565
Change in Value of Trust	<u>14,053</u>	<u>113,349</u>
Fair Value - June 30, 2019	265,482	2,384,914
Change in Value of Trust	<u>(3,777)</u>	<u>(52,667)</u>
Fair Value - June 30, 2020	<u>\$ 261,705</u>	<u>\$ 2,332,247</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 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, 2020 and 2019, the Trust contributed \$113,232 and \$10,000, respectively, to the Association. At June 30, 2020 and 2019, \$12,002 and \$34,233, respectively, are payable by the Trust to the Association.

**NOTE 9 OBLIGATIONS UNDER CAPITAL LEASES**

In 2016, the Association entered into a capital lease agreement and acquired office equipment with a value of \$38,078. Additionally in 2020, the Association entered into a capital lease agreement and acquired four copiers with a value of \$49,074. As of June 30, 2020 and 2019, the accumulated depreciation of office equipment under capital leases was \$38,235 and \$23,399, respectively.

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, 2020.

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 24,230
2022	19,248
2023	19,248
2024	19,248
2025	9,128
Thereafter	<u>1,776</u>
Total	92,878
Imputed Interest	<u>(22,457)</u>
Present Value of Minimum Lease Payments	70,421
Less: Current Maturities	(15,418)
Less: Lease Agreement Executed Subsequent to Year-End	<u>(21,504)</u>
Total Long-Term Capital Lease Obligations	<u><u>\$ 33,499</u></u>

During fiscal year 2021, the Association entered into a new agreement for two copiers requiring monthly capital lease payments of \$592 over the five-year lease term.

**NOTE 10 LINE OF CREDIT**

The Association had a line of credit agreement through October 21, 2019 at which time the line was closed. The agreement provided for borrowings up to \$500,000, bore interest equal to the prime rate minus 0.50%, and was due on demand. The prime rate was 5.00% at June 30, 2019. Borrowings under the agreement were secured by the investments of the Association. At June 30, 2019, there was no balance outstanding under the agreement.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN**

On May 4, 2020, the Association received a loan from U.S. Bank in the amount of \$1,164,390 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Association fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. Loan forgiveness is available for eligible expenses incurred during the 24-week covered period of May 4, 2020 through October 18, 2020 or the alternative payroll covered period of May 17, 2020 through October 31, 2020. The Association applied for and was notified by the Small Business Association that as of November 27, 2020 the loan was forgiven in full.

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

The Association's net assets with donor restrictions at June 30, 2020 and 2019 total \$3,141,800 and \$3,130,320, respectively, which is restricted for the following programs or time:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Program Training	\$ 2,074	\$ 2,074
Sibling Camp	27,000	7,000
Education	24,134	36,511
Program Activities	26,890	23,314
Program Equipment	33,439	7,329
Foster Care Program Shortfall	11,000	-
Therapy and Clinical Advocacy	72,655	33,903
Total	197,192	110,131
Subject to the Passage of Time:		
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditure Until Due	290,656	369,793
Bequest	60,000	-
Beneficial Interest in Remainder Trust	261,705	265,482
Beneficial Interest in Hephzibah Children's Trust	2,332,247	2,384,914
Subtotal	2,944,608	3,020,189
Total	\$ 3,141,800	\$ 3,130,320

In fiscal year 2020 and 2019, \$123,661 and \$137,996, respectively, were released from restrictions as follows:



**HEPHZIBAH CHILDREN'S ASSOCIATION  
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**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ 100,000	\$ -
Satisfaction of Purpose Restrictions:		
Program Training	-	1,751
Sibling Camp	-	28,000
Education	17,377	34,099
Program Activities	4,395	13,941
Program Equipment	1,889	4,107
Therapy and Clinical Advocacy	-	56,098
Total	<u>\$ 123,661</u>	<u>\$ 137,996</u>

**NOTE 13 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, 2020 and 2019, the Association contributed \$297,681 and \$283,990, respectively, to the plan. For fiscal years 2020 and 2019, the Association contributed 5% of gross salaries, of which \$178,527 and \$167,197, 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 14 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 September 2025.

Estimated future minimum annual commitments under noncancelable operating leases in place at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 225,959
2022	236,039
2023	73,227
2024	18,252
2025	8,722
Thereafter	1,704
Total	<u>\$ 563,903</u>

Office space and equipment rent expense during fiscal years 2020 and 2019 was \$236,343 and \$238,198, respectively. During fiscal year 2021, the Association entered into a new agreement for office equipment requiring monthly operating payments of \$568 over the five-year lease term.

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**NOTE 15 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, 2020 and 2019, the value of the Association's interest in the remainder trust was \$261,705 and \$265,482, 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 net assets with donor restrictions in the statements of activities for the years ended June 30, 2020 and 2019.

**NOTE 16 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, 2020 and 2019, the value of the Association's interest in the Trust was \$2,332,247 and \$2,384,914, 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 net assets with donor restrictions in the statements of activities for the years ended June 30, 2020 and 2019.

**NOTE 17 DUE TO ILLINOIS DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

At June 30, 2018, the Association had an amount payable to the Illinois Department of Children and Family Services of \$185,877 that had been on the Association's books since fiscal year June 30, 1998. During the year ended June 30, 2019, the state agency acknowledged that they had no record of the debt and allowed the Association to cancel the obligation. The debt cancellation is reflected as part of other income on the 2019 statement of activities.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
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**NOTE 18 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 19 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:

**Concentration of Revenue**

The Association receives a substantial amount of its revenue from grants and contracts with various governmental agencies. Approximately 67% and 64% of total support and revenues during the years ended June 30, 2020 and 2019, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 62% and 58% of total support and revenues in the years ended June 30, 2020 and 2019, 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 81% and 83% of the total outstanding accounts receivable balance as of June 30, 2020 and 2019, 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, 2020 and 2019, the Association's uninsured cash balances totaled \$2,449,636 and \$1,288,508, respectively.

**NOTE 20 RISKS AND UNCERTAINTY**

Prior to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its fiscal 2021 operations and financial results. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
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**NOTE 21 SUBSEQUENT EVENTS**

Management evaluated subsequent events through January 8, 2021, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to January 8, 2021 that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, 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, 2020.

