HEPHZIBAH CHILDREN'S ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

CliftonLarsonAllen

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, 2016 and 2015, 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 audits. We conducted our audits 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, 2016 and 2015, 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.

Emphasis-of-Matter Regarding a Correction of an Error

As described in Note 18 to the financial statements, certain errors pertaining to the previous fiscal year were discovered during audit procedures for the year ended June 30, 2016. Balances have been adjusted, resulting in the restatement of beginning of year net asset balances at June 30, 2015. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
November 8, 2016

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

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

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 1,490,213	$ 390,743	$ 1,880,956
Certificates of Deposit	242,715	-	242,715
Accounts and Contributions Receivable, Net	380,264	82,000	462,264
Prepaid Expenses	143,108	-	143,108
Investments	1,947,756	-	1,947,756
Other Assets	3,181	-	3,181
Total Current Assets	4,207,237	472,743	4,679,980
BENEFICIAL INTEREST IN REMAINDER TRUST	-	228,774	228,774
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,111,093	2,111,093
PROPERTY AND EQUIPMENT, NET	1,175,171	-	1,175,171
Total Assets	$ 5,382,408	$ 2,812,610	$ 8,195,018
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 566,056	$ -	$ 566,056
Accrued Salaries and Wages	209,420	-	209,420
Accrued Payroll Taxes	10,111	-	10,111
Obligations under Capital Leases	8,604	-	8,604
Due to Illinois Department of Children and Family Services	185,877	-	185,877
Total Current Liabilities	980,068	-	980,068
NONCURRENT LIABILITIES			
Obligations under Capital Leases	11,878	-	11,878
Total Liabilities	991,946	-	991,946
NET ASSETS	4,390,462	2,812,610	7,203,072
Total Liabilities and Net Assets	$ 5,382,408	$ 2,812,610	$ 8,195,018

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	$ 5,435,047	$ -	$ 5,435,047
Public Support:			
Individual, Corporate and Foundation Contributions and Grants	763,727	215,288	979,015
Special Events, Net of Expenses of $143,675	367,050	-	367,050
Other Revenue:			
Program Service Fees and Grants	1,386,715	-	1,386,715
Interest, Dividend and Other Income	50,244	-	50,244
Unrealized Loss	(80,214)	-	(80,214)
Realized Gain	19,018	-	19,018
Change in Value of Beneficial Interest in Remainder Trust	-	1,211	1,211
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	(118,777)	(118,777)
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	165,763	(165,763)	-
Total Revenues and Support	8,107,350	(68,041)	8,039,309
EXPENSES			
Program Services	6,509,632	-	6,509,632
Management and General	1,326,234	-	1,326,234
Development	436,336	-	436,336
Total Expenses	8,272,202	-	8,272,202
CHANGE IN NET ASSETS	$ (164,852)	$ (68,041)	$ (232,893)
Net Assets - Beginning of Year, As Originally Reported	4,555,314	650,781	5,206,095
Prior Period Adjustment	-	2,229,870	2,229,870
Net Assets - Beginning of Year, As Restated	4,555,314	2,880,651	7,435,965
CHANGE IN NET ASSETS	(164,852)	(68,041)	(232,893)
NET ASSETS - END OF YEAR	$ 4,390,462	$ 2,812,610	$ 7,203,072

See accompanying Notes to Financial Statements.

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

	Program Services				
	Day Care	Family Services	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES					
Salaries	$ 796,860	$ 200,521	$ 691,634	$ 1,103,653	$ 804,067
Employee Benefits	83,393	33,556	95,611	164,035	108,117
Payroll Taxes	75,636	18,984	65,706	104,072	76,104
Total Salaries and Related Expenses	955,889	253,061	852,951	1,371,760	988,288
Professional Fees and Contract Service Payments	65,975	12,344	139,214	33,930	24,199
Supplies	118,064	3,319	11,928	104,528	79,064
Telephone and Telegraph	11,934	2,033	6,806	7,173	5,385
Postage and Shipping	510	767	2,683	703	547
Occupancy	25,105	28,294	89,426	50,110	38,030
Printing and Reference Material	547	286	3,139	370	249
Local Transportation	11,365	12,991	59,114	11,495	15,043
Training, Conferences, and Major Trips	6,101	863	10,763	14,287	9,935
Specific Assistance to Individuals	22,818	7,179	688,370	20,366	16,195
Membership Dues	3,350	684	3,036	3,768	2,866
Equipment Rental, Repairs, and Maintenance	2,103	2,971	9,796	7,000	5,268
Miscellaneous	8,269	740	2,560	3,532	2,544
Total Functional Expenses, before Depreciation	1,232,030	325,532	1,879,786	1,629,022	1,187,613
Depreciation	3,644	4,143	15,214	57,557	50,308
Total Functional Expenses	1,235,674	329,675	1,895,000	1,686,579	1,237,921
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	233,895	62,403	358,695	319,244	234,320
ALLOCATION OF DEVELOPMENT EXPENSES	83,291	22,222	127,733	113,684	83,442
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 1,552,860	$ 414,300	$ 2,381,428	$ 2,119,507	$ 1,555,683
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	$ 8,982	$ 397,004	$ 2,043,679	$ 1,792,338	$ 1,247,658
Illinois Department of Human Services	56,297	-	-	-	-
Other Government Agencies	6,681	-	-	20,570	12,605
Other	11,276	-	-	-	-
Program Service Fees and Grants	1,642,193	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	12,845	8,155
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 1,725,429	$ 397,004	$ 2,043,679	$ 1,825,753	$ 1,268,418

See accompanying Notes to Financial Statements.

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

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
$ 4,366	$ 272,693	$ 46,390	$ 3,920,184	$ 944,385	$ 261,368	$ 1,205,753	$ 5,125,937
977	45,715	1,440	532,844	134,582	35,876	170,458	703,302
374	25,748	4,428	371,052	81,271	23,372	104,643	475,695
5,717	344,156	52,258	4,824,080	1,160,238	320,616	1,480,854	6,304,934
247	6,660	23,122	305,691	47,143	74,610	121,753	427,444
36	25,663	6,976	349,578	7,461	2,698	10,159	359,737
44	2,214	428	36,017	7,128	1,818	8,946	44,963
16	179	166	5,571	1,509	4,317	5,826	11,397
544	12,536	5,487	249,532	54,396	25,407	79,803	329,335
1	141	6	4,739	1,486	17,571	19,057	23,796
432	457	1,601	112,498	3,429	713	4,142	116,640
2	489	2,965	45,405	5,275	1,507	6,782	52,187
2,180	511	55,258	812,877	-	-	-	812,877
13	1,486	-	15,203	3,965	1,000	4,965	20,168
64	1,893	643	29,738	6,321	2,733	9,054	38,792
15	626	3,288	21,574	7,412	2,990	10,402	31,976
9,311	397,011	152,198	6,812,503	1,305,763	455,980	1,761,743	8,574,246
62	12,003	632	143,563	10,918	12,895	23,813	167,376
9,373	409,015	152,830	6,956,066	$ 1,316,681	$ 468,875	$ 1,785,556	$ 8,741,622
1,774	77,421	28,929	1,316,681				
632	27,570	10,301	468,875				
$ 11,779	$ 514,006	$ 192,060	$ 8,741,622				
$ -	$ -	$ -	$ 5,489,661				$ 5,489,661
-	-	-	56,297				56,297
5,312	339,627	3,747	388,542				388,542
-	26,033	-	37,309				37,309
-	-	-	1,642,193				1,642,193
-	-	-	21,000				21,000
$ 5,312	$ 365,660	$ 3,747	$ 7,635,002				$ 7,635,002

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)
YEAR ENDED JUNE 30, 2015

	Program Services				
	Day Care	Family Services	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES					
Salaries	$ 822,067	$ 203,095	$ 570,329	$ 1,085,537	$ 805,057
Employee Benefits	85,308	33,883	71,738	152,514	100,853
Payroll Taxes	76,513	18,705	52,504	99,214	73,770
Total Salaries and Related Expenses	983,888	255,683	694,571	1,337,265	979,680
Professional Fees and Contract Service Payments	63,263	43,038	109,239	42,150	34,758
Supplies	100,498	4,055	10,829	97,475	67,363
Telephone and Telegraph	11,803	2,459	6,102	5,710	4,198
Postage and Shipping	750	1,057	2,685	432	336
Occupancy	29,215	31,226	76,111	49,484	37,971
Printing and Reference Material	1,699	481	1,849	780	736
Local Transportation	11,535	9,582	49,633	14,588	11,022
Training, Conferences, and Major Trips	4,593	977	8,402	3,297	2,181
Specific Assistance to Individuals	22,741	10,621	594,583	26,182	18,800
Membership Dues	3,130	562	1,590	3,459	2,668
Equipment Rental, Repairs, and Maintenance	2,695	3,530	8,760	4,386	3,312
Miscellaneous	12,673	1,148	2,872	3,265	2,489
Total Functional Expenses, before Depreciation	1,248,483	364,419	1,567,226	1,588,473	1,165,514
Depreciation	5,530	5,182	14,989	63,908	48,966
Total Functional Expenses	1,254,013	369,601	1,582,215	1,652,381	1,214,480
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	255,485	75,300	322,351	336,646	247,431
ALLOCATION OF DEVELOPMENT EXPENSES	84,057	24,774	106,055	110,758	81,406
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 1,593,555	$ 469,675	$ 2,010,621	$ 2,099,785	$ 1,543,317
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	$ 6,806	$ 385,422	$ 1,738,204	$ 1,743,311	$ 1,262,133
Illinois Department of Human Services	68,711	-	-	-	-
Other Government Agencies	6,417	-	-	17,157	11,923
Other	11,345	-	-	-	-
Program Service Fees and Grants	1,386,715	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 1,479,994	$ 385,422	$ 1,738,204	$ 1,760,468	$ 1,274,056

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, 2015

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
$ 12,051	$ 171,902	$ 55,833	$ 3,725,871	$ 950,306	$ 243,838	$ 1,194,144	$ 4,920,015
1,274	28,838	1,064	475,472	126,439	26,335	152,774	628,246
1,110	15,789	5,168	342,773	80,839	21,861	102,700	445,473
14,435	216,529	62,065	4,544,116	1,157,584	292,034	1,449,618	5,993,734
796	5,234	29,247	327,725	52,595	68,941	121,536	449,261
214	17,502	7,213	305,149	8,137	2,679	10,816	315,965
136	1,426	496	32,330	7,106	1,934	9,040	41,370
57	71	213	5,601	3,344	4,482	7,826	13,427
1,578	7,485	5,931	239,001	54,408	25,217	79,625	318,626
4	111	15	5,675	1,184	23,534	24,718	30,393
442	7	2,412	99,221	4,216	481	4,697	103,918
8	137	2,603	22,198	7,705	1,363	9,068	31,266
6,339	336	40,848	720,450	-	-	-	720,450
31	1,028	-	12,468	2,230	1,000	3,230	15,698
195	837	732	24,447	6,390	2,851	9,241	33,688
61	460	1,340	24,308	9,325	3,308	12,633	36,941
24,296	251,163	153,115	6,362,689	1,314,224	427,824	1,742,048	8,104,737
221	6,733	1,414	146,943	12,010	8,512	20,522	167,465
24,517	257,896	154,529	6,509,632	$ 1,326,234	$ 436,336	$ 1,762,570	$ 8,272,202
4,995	52,542	31,484	1,326,234				
1,643	17,286	10,357	436,336				
$ 31,155	$ 327,724	$ 196,370	$ 8,272,202				
$ -	$ -	$ -	$ 5,135,876				$ 5,135,876
-	-	-	68,711				68,711
13,377	153,059	4,528	206,461				206,461
-	12,653	-	23,998				23,998
-	-	-	1,386,715				1,386,715
-	-	171	171				171
$ 13,377	$ 165,712	$ 4,699	$ 6,821,932				$ 6,821,932

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (23,396)	$ (232,893)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	167,376	167,465
Unrealized Loss on Investments	14,101	80,214
Realized Loss (Gain) on Investments	43,804	(19,018)
Change in Value of Beneficial Interest in Remainder Trust	421	(1,211)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	78,737	118,777
Gain on Dispoal of Property and Equipment	(2,367)	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(114,446)	133,183
Prepaid Expenses and Other Assets	6,287	(24,797)
Accounts Payable and Due to Agencies	(128,279)	170,294
Accrued Salaries and Wages	50,774	(3,399)
Accrued Payroll Taxes	4,261	790
Net Cash Provided by Operating Activities	97,273	389,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(265,763)	(112,221)
Purchases of Short-Term Investments	(1,223,219)	(725,877)
Proceeds from Sale of Certificates of Deposit	-	30,000
Proceeds from Sale of Investments	881,938	666,292
Net Cash Used by Investing Activities	(607,044)	(141,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(5,935)	(6,045)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(515,706)	241,554
Cash and Cash Equivalents - Beginning of Year	1,880,956	1,639,402
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,365,250	$ 1,880,956
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 1,500	$ 1,841
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposal of Equipment Under Capital Lease and Termination of Capital Lease Obligation	$ 15,997	$ -
Acquisition of Equipment through Lease Obligation	$ 38,078	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Basis of Accounting

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

Financial Statement Presentation

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

Unrestricted Net Assets

Includes resources with no legal or donor-imposed restrictions.

Temporarily Restricted Net Assets

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Permanently Restricted Net Assets

Those resources subject to donor-imposed stipulations that they be maintained permanently by the Association. There were no permanently restricted net assets at June 30, 2016 and 2015.

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

The certificates of deposit are recorded at cost which approximates fair value.

Accounts and Contributions Receivable

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

Accounts and contributions receivable are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is $18,900 for the years ended June 30, 2016 and 2015.

Investments

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

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

Beneficial Interest in Remainder Trust

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Hephzibah Children's Trust

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

Property and Equipment

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

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

Impairment of Long-Lived Assets

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

Revenue Recognition

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

Functional Allocation of Expenses

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Taxes

The Association is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. There were no taxes owed for the year ended June 30, 2016 and 2015. 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, 2016 and 2015.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers 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 with customers. Additionally, qualitative and quantitative disclosures are required regarding customer 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 will be effective for the Association for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

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 guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- Enhanced disclosures in the following areas:
  - Board designated net assets
  - Donor restricted net assets
  - Qualitative and quantitative information on liquidity
  - Amounts of expenses by both their natural and functional classification
  - Methods used to allocate costs among program and supporting functions
  - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Association for annual periods beginning after December 15, 2017. Early adoption is permitted.

NOTE 2 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	2016	2015
Illinois Department of Children and Family Services	$ 404,824	249,403
Head Start Program (CHASI and CDI for fiscal years 2016 and 2015, respectively)	24,125	23,992
Illinois Department of Human Services	44,751	29,885
Parent Fees	17,342	17,222
Other	104,568	160,662
	595,610	481,164
Allowance for Doubtful Accounts	(18,900)	(18,900)
Total	$ 576,710	$ 462,264

Conditional promises to give at June 30, 2016 and 2015 consist of three and one pledge(s), respectively, of approximately $300,000 and $100,000, respectively. 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, 2016 and 2015.

NOTE 3 PROPERTY AND EQUIPMENT

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

	2016	2015
Land and Improvements	$ 73,192	73,192
Buildings and Improvements	2,421,034	2,304,770
Furniture and Equipment	713,689	694,012
Telecommunications Equipment	102,472	98,754
Playground Equipment	277,884	197,073
Computer Equipment	493,256	445,097
Website Development	30,618	30,618
Vehicles	152,550	152,550
	4,264,695	3,996,066
Accumulated Depreciation	(2,966,689)	(2,820,895)
Total	$ 1,298,006	$ 1,175,171

NOTE 4 INVESTMENTS

A summary of investments at June 30 is as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
US Mutual Funds	$ 403,554	$ 396,921	$ 257,991	$ 286,556
Foreign Mutual Funds	348,773	337,178	374,832	379,155
Exchange Traded Funds	336,983	348,481	412,536	426,796
Hedge Funds	122,152	125,541	77,152	83,273
Real Estate Funds	99,318	100,508	70,000	62,526
Commodity Funds	36,000	35,049	32,901	20,364
Bond Funds	726,649	722,480	440,951	416,391
Corporate Bonds	168,351	164,626	278,277	272,695
Total	$ 2,241,780	$ 2,230,784	$ 1,944,640	$ 1,947,756

NOTE 5 FAIR VALUE MEASUREMENTS

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

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

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

Fair values of assets and liabilities measured on a recurring basis at June 30, 2016 and 2015 are as follows:

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

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

	2015			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
US Mutual Funds	$ 286,556	$ -	$ -	$ 286,556
Foreign Mutual Funds	379,155	-	-	379,155
Exchange Traded Funds	426,796	-	-	426,796
Hedge Funds	83,273	-	-	83,273
Real Estate Funds	62,526	-	-	62,526
Commodity Funds	20,364	-	-	20,364
Bond Funds	416,391	-	-	416,391
Corporate Bonds	-	272,695	-	272,695
Total Investments	1,675,061	272,695	-	1,947,756
Beneficial Interest in Remainder Trust	-	-	228,774	228,774
Beneficial Interest in Hephzibah Children's Trust	-	-	2,111,093	2,111,093
Total	$ 1,675,061	$ 272,695	$ 2,339,867	$ 4,287,623

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

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

	Beneficial Interest in Remainder Trust	Beneficial Interest in Hephzibah Children's Trust
Fair Value - June 30, 2014	$ 227,563	$ 2,229,870
Change in Value of Trust	1,211	(118,777)
Fair Value - June 30, 2015	228,774	2,111,093
Change in Value of Trust	(421)	(78,737)
Fair Value - June 30, 2016	$ 228,353	$ 2,032,356

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, 2016 and 2015, the Trust contributed approximately $10,000 and $60,000, respectively, to the Association.

NOTE 7 OBLIGATIONS UNDER CAPITAL LEASES

In 2013, the Association entered into a capital lease agreement and acquired office equipment with a value of $35,000. This capital lease agreement was terminated in February 2016. The Association entered into a new capital lease agreement and acquired office equipment with a value of $38,078. As of June 30, 2016 and 2015, cost and accumulated depreciation of office equipment under capital leases are as follows:

	2016	2015
Cost	$ 38,532	$ 35,000
Accumulated Depreciation	(1,904)	(14,518)
Total	36,628	20,482
Less Current Portion of Obligations Under Capital Leases	6,961	8,604
Noncurrent Portion of Obligations Under Capital Leases	$ 29,667	$ 11,878

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, 2016.

Year Ending June 30,	Amount
2017	$ 8,604
2018	8,604
2019	8,604
2020	8,604
2021	6,477
Total	40,893
Imputed Interest	(4,265)
Present Value of Minimum Lease Payments	$ 36,628

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 3.50% and 3.25% at June 30, 2016 and 2015, 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, 2016 and 2015.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

The Association's temporarily restricted net assets at June 30, 2016 and 2015 totals $2,544,777 and $2,812,610, respectively, which is restricted for the following programs or time:

	2016	2015
Program Training	$ 8,403	$ -
Sibling Camp	51,000	50,875
Education	184,262	285,252
Program Activities	29,189	44,955
Program Equipment	11,214	91,661
Beneficial Interest in Remainder Trust (Time)	228,353	228,774
Beneficial Interest in Hephzibah Children's Trust (Time)	2,032,356	2,111,093
Total	$ 2,544,777	$ 2,812,610

In fiscal year 2016 and 2015, $293,874 and $165,763, 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, 2016 and 2015, the Association contributed $256,422 and $246,734, respectively, to the plan. For fiscal years 2016 and 2015, the Association contributed 5% of gross salaries, of which $127,680 and $116,421, respectively, constituted the 401(k) match. The balance of the contribution to the plan was made at the discretion of the Association. The benefit contribution is included in employee benefits on the statements of functional expenses and directly related program services revenues.

NOTE 11 LEASES

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a 10-year term lease which expires in October 2017. The Association also utilizes certain items of office equipment under various operating lease agreements which expire in November 2017.

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

Year Ending June 30,	Amount
2017	$ 218,173
2018	52,320
Total	$ 270,493

Rent expense during fiscal years 2016 and 2015 was $195,598 and $186,934, 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, 2016 and 2015, the value of the Association's interest in the remainder trust was $228,353 and $228,774, 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, 2016 and 2015.

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, 2016 and 2015, the value of the Association's interest in the Trust was $2,032,356 and $2,111,093, 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, 2016 and 2015.

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:

Concentration of Revenue

The Association receives a substantial amount of its revenue from grants and contracts with various governmental agencies. Approximately 67% and 66% of total support and revenues during the years ended June 30, 2016 and 2015, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 62% and 64% of total support and revenues in the years ended June 30, 2016 and 2015, 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 69% and 54% of the total outstanding accounts receivable balance as of June 30, 2016 and 2015, 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, 2016 and 2015 the Association's uninsured cash balances totaled $773,226 and $2,633,817, respectively.

NOTE 17 RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2015 financial statement amounts in order to conform to the June 30, 2016, presentation. These reclassifications have had no impact on the total assets, net assets, or changes in net assets previously reported.

NOTE 18 PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect a restatement of beginning of year net assets at June 30, 2015 to record the beneficial interest in Hephzibah Children's Trust in the prior year, as of June 30, 2014. The total effect of the prior period adjustment was to increase the beneficial interest in Hephzibah Children's Trust by $2,229,870 and to increase temporarily restricted net assets by $2,229,870 as of June 30, 2014.

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 8, 2016, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 8, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016.