

**HEPHZIBAH CHILDREN'S ASSOCIATION  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**



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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, 2019 and 2018, 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, 2019 and 2018, 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**

As discussed in Note 1 to the financial statements, in 2019, the Association adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
October 18, 2019

**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 FINANCIAL POSITION  
JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,220,736	\$ 185,446	\$ 1,406,182
Certificates of Deposit	243,763	-	243,763
Accounts and Contributions Receivable, Net	872,062	-	872,062
Prepaid Expenses	138,360	-	138,360
Investments	2,629,931	-	2,629,931
Other Assets	3,180	-	3,180
Total Current Assets	5,108,032	185,446	5,293,478
<b>BENEFICIAL INTEREST IN REMAINDER TRUST</b>	-	251,429	251,429
<b>BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST</b>	-	2,271,565	2,271,565
<b>PROPERTY AND EQUIPMENT, NET</b>	1,509,773	-	1,509,773
Total Assets	\$ 6,617,805	\$ 2,708,440	\$ 9,326,245
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 476,689	\$ -	\$ 476,689
Accrued Salaries and Wages	349,905	-	349,905
Accrued Payroll Taxes	21,494	-	21,494
Obligations Under Capital Leases	7,678	-	7,678
Due to Illinois Department of Children and Family Services	185,877	-	185,877
Total Current Liabilities	1,041,643	-	1,041,643
<b>NONCURRENT LIABILITIES</b>			
Deferred Rent	11,739	-	11,739
Obligations Under Capital Leases	14,679	-	14,679
Total Noncurrent Liabilities	26,418	-	26,418
Total Liabilities	1,068,061	-	1,068,061
<b>NET ASSETS</b>	5,549,744	2,708,440	8,258,184
Total Liabilities and Net Assets	\$ 6,617,805	\$ 2,708,440	\$ 9,326,245

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Fees and Grants from Government Agencies	\$ 6,877,479	\$ -	\$ 6,877,479
United Way of Metropolitan Chicago	25,000	-	25,000
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	986,700	141,738	1,128,438
Special Events	382,812	-	382,812
Other Revenue:			
Program Service Fees and Grants	1,553,976	-	1,553,976
Interest, Dividend, and Other Income	63,691	-	63,691
Unrealized Gain	3,571	-	3,571
Realized Gain	84,846	-	84,846
Change in Value of Beneficial Interest in			
Remainder Trust	-	13,478	13,478
Change in Value of Beneficial Interest in			
Hephzibah Children's Trust	-	85,556	85,556
Net Assets Released from Restrictions Arising from			
Satisfaction of Program and Time Restrictions	251,283	(251,283)	-
Total Revenues and Support	10,229,358	(10,511)	10,218,847
<b>EXPENSES</b>			
Program Services	7,765,665	-	7,765,665
Management and General	1,301,025	-	1,301,025
Development	548,854	-	548,854
Total Expenses	9,615,544	-	9,615,544
<b>CHANGE IN NET ASSETS</b>	613,814	(10,511)	603,303
Net Assets - Beginning of Year	4,935,930	2,718,951	7,654,881
<b>NET ASSETS - END OF YEAR</b>	\$ 5,549,744	\$ 2,708,440	\$ 8,258,184

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
<b>FUNCTIONAL EXPENSES</b>					
Salaries	\$ 837,389	\$ 369,447	\$ 917,061	\$ 1,274,268	\$ 907,258
Employee Benefits	69,762	71,545	128,008	180,157	98,639
Payroll Taxes	77,002	33,517	84,593	116,384	83,873
Total Salaries and Related Expenses	<u>984,153</u>	<u>474,509</u>	<u>1,129,662</u>	<u>1,570,809</u>	<u>1,089,770</u>
Professional Fees and Contract					
Service Payments	72,666	24,632	154,949	49,192	35,953
Supplies	146,267	3,593	10,407	98,020	69,295
Telephone and Telegraph	14,431	6,027	16,486	8,200	6,049
Postage and Shipping	319	675	2,016	293	211
Occupancy	26,714	42,151	107,496	50,461	39,102
Printing and Reference Material	2,450	834	2,250	3,532	2,744
Local Transportation	13,795	32,373	69,198	18,750	12,574
Training, Conferences, and Major Trips	6,745	1,046	5,507	7,438	5,049
Specific Assistance to Individuals	37,121	41,851	825,772	22,948	16,550
Membership Dues	2,203	989	2,421	2,616	1,950
Equipment Rental, Repairs, and Maintenance	1,226	2,395	6,012	7,027	5,197
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	22,518	3,896	3,845	7,794	3,077
Total Functional Expenses, Before Depreciation	<u>1,330,608</u>	<u>634,971</u>	<u>2,336,021</u>	<u>1,847,080</u>	<u>1,287,521</u>
Depreciation	2,905	5,255	14,624	60,837	58,197
Total Functional Expenses	<u>1,333,513</u>	<u>640,226</u>	<u>2,350,645</u>	<u>1,907,917</u>	<u>1,345,718</u>
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	179,054	85,965	315,626	256,180	180,692
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	<u>108,188</u>	<u>51,942</u>	<u>190,708</u>	<u>154,790</u>	<u>109,178</u>
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>
<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	-	-	-	-	-
Other Government Agencies	10,351	-	5,063	77,884	51,926
Other	14,648	-	-	-	-
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>

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			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
\$ 573	\$ 303,669	\$ 40,352	\$ 4,650,017	\$ 751,822	\$ 310,563	\$ 1,062,385	\$ 5,712,402
120	55,633	9,835	613,699	105,752	34,201	139,953	753,652
48	27,874	3,711	427,002	63,753	27,913	91,666	518,668
741	387,176	53,898	5,690,718	921,327	372,677	1,294,004	6,984,722
15	8,248	6,619	352,274	74,856	69,035	143,891	496,165
6	32,587	1,666	361,841	5,226	2,807	8,033	369,874
4	2,380	411	53,988	3,889	1,987	5,876	59,864
-	66	90	3,670	700	3,847	4,547	8,217
20	11,845	5,464	283,253	46,840	27,334	74,174	357,427
-	1,314	8	13,132	1,512	18,643	20,155	33,287
-	2,095	123	148,908	4,336	616	4,952	153,860
-	1,212	614	27,611	8,143	1,531	9,674	37,285
1,119	5,297	23,324	973,982	-	-	-	973,982
1	648	-	10,828	684	-	684	11,512
3	1,613	321	23,794	2,979	1,551	4,530	28,324
-	-	-	-	-	53,749	53,749	53,749
-	-	-	-	-	16,300	16,300	16,300
-	-	-	-	-	12,465	12,465	12,465
-	-	-	-	-	15,796	15,796	15,796
-	-	-	-	-	53,564	53,564	53,564
-	2,123	125	43,378	11,968	5,613	17,581	60,959
1,909	456,604	92,663	7,987,377	1,082,460	657,515	1,739,975	9,727,352
16	12,807	641	155,282	10,873	3,100	13,973	169,255
1,925	469,411	93,304	8,142,659	<u>\$ 1,093,333</u>	<u>\$ 660,615</u>	<u>\$ 1,753,948</u>	<u>\$ 9,896,607</u>
259	63,029	12,528	1,093,333				
156	38,083	7,570	660,615				
<u>\$ 2,340</u>	<u>\$ 570,523</u>	<u>\$ 113,402</u>	<u>\$ 9,896,607</u>				
\$ -	\$ -	\$ -	\$ 6,418,119				
-	-	-	77,014				
-	358,770	-	358,770				
1,097	16,164	-	162,485				
-	22,471	-	37,119				
-	-	-	1,702,650				
-	-	-	25,000				
<u>\$ 1,097</u>	<u>\$ 397,405</u>	<u>\$ -</u>	<u>\$ 8,781,157</u>				

See accompanying Notes to Financial Statements.

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

	Program Services				
	Day Care	Family Intact		Diagnostic Treatment	
		Services	Foster Care	Center	Residence
<b>FUNCTIONAL EXPENSES</b>					
Salaries	\$ 805,304	\$ 237,341	\$ 852,139	\$ 1,172,889	\$ 860,961
Employee Benefits	68,007	47,680	125,826	179,409	112,152
Payroll Taxes	75,193	22,190	79,475	108,808	80,417
Total Salaries and Related Expenses	948,504	307,211	1,057,440	1,461,106	1,053,530
Professional Fees and Contract					
Service Payments	67,215	13,716	154,746	51,557	35,092
Supplies	144,105	3,463	13,756	93,420	64,546
Telephone and Telegraph	13,469	2,487	8,900	8,469	6,449
Postage and Shipping	431	840	3,053	281	223
Occupancy	23,742	32,088	112,475	56,154	43,670
Printing and Reference Material	1,517	326	2,787	372	621
Local Transportation	11,956	25,922	67,192	11,806	12,529
Training, Conferences, and Major Trips	7,798	856	13,863	5,332	3,599
Specific Assistance to Individuals	29,523	110,944	858,646	18,497	13,970
Membership Dues	2,936	631	2,647	3,310	2,553
Equipment Rental, Repairs, and Maintenance	1,247	2,306	8,251	6,999	5,342
Costs of Direct Benefits to Donors:					
Food and Beverage	-	-	-	-	-
Facility Costs	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-
Auctioneers	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-
Miscellaneous	19,916	627	2,490	2,669	2,006
Total Functional Expenses, Before Depreciation	1,272,359	501,417	2,306,246	1,719,972	1,244,130
Depreciation	2,912	3,222	13,076	57,381	55,098
Total Functional Expenses	1,275,271	504,639	2,319,322	1,777,353	1,299,228
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	213,653	84,545	388,569	297,770	217,667
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	90,132	35,666	163,923	125,618	91,826
Total Program Services and Supporting Services Expenses	<u>\$ 1,579,056</u>	<u>\$ 624,850</u>	<u>\$ 2,871,814</u>	<u>\$ 2,200,741</u>	<u>\$ 1,608,721</u>
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	\$ 13,595	\$ 594,275	\$ 2,649,184	\$ 1,719,494	\$ 1,293,285
Illinois Department of Human Services	60,920	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-
Other Government Agencies	6,284	-	3,715	63,348	42,234
Other	11,144	-	-	-	-
Program Service Fees and Grants	1,553,976	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	15,002	9,998
Total Directly Related Program Services Revenues	<u>\$ 1,645,919</u>	<u>\$ 594,275</u>	<u>\$ 2,652,899</u>	<u>\$ 1,797,844</u>	<u>\$ 1,345,517</u>

See accompanying Notes to Financial Statements.

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

Program Services (Continued)				Supporting Services			
Community Support	Head Start	All Other	Total	Management and General	Development	Total	Total
\$ 2,118	\$ 302,587	\$ 45,166	\$ 4,278,505	\$ 938,340	\$ 219,798	\$ 1,158,138	\$ 5,436,643
452	58,240	9,764	601,530	125,515	23,720	149,235	750,765
178	28,009	4,204	398,474	84,520	19,960	104,480	502,954
2,748	388,836	59,134	5,278,509	1,148,375	263,478	1,411,853	6,690,362
349	7,434	8,509	338,618	43,113	82,236	125,349	463,967
20	33,394	4,627	357,331	8,205	2,622	10,827	368,158
17	2,545	467	42,803	5,107	1,823	6,930	49,733
-	73	161	5,062	1,725	5,239	6,964	12,026
90	17,990	5,846	292,055	57,855	24,857	82,712	374,767
-	315	6	5,944	1,885	27,254	29,139	35,083
-	1,383	66	130,854	5,591	623	6,214	137,068
-	1,641	1,211	34,300	7,477	1,619	9,096	43,396
4,858	4,201	25,348	1,065,987	-	-	-	1,065,987
5	1,278	-	13,360	471	-	471	13,831
11	1,675	457	26,288	4,572	1,785	6,357	32,645
-	-	-	-	-	57,301	57,301	57,301
-	-	-	-	-	9,600	9,600	9,600
-	-	-	-	-	12,768	12,768	12,768
-	-	-	-	-	5,185	5,185	5,185
-	-	-	-	-	39,374	39,374	39,374
4	799	378	28,889	6,509	5,896	12,405	41,294
8,102	461,564	106,210	7,620,000	1,290,885	541,660	1,832,545	9,452,545
65	13,299	612	145,665	10,140	7,194	17,334	162,999
8,167	474,863	106,822	7,765,665	\$ 1,301,025	\$ 548,854	\$ 1,849,879	\$ 9,615,544
1,368	79,556	17,896	1,301,025				
577	33,562	7,550	548,854				
\$ 10,112	\$ 587,981	\$ 132,268	\$ 9,615,544				
\$ -	\$ -	\$ -	\$ 6,269,833				
-	-	-	60,920				
-	368,903	-	368,903				
3,009	11,770	-	130,360				
-	28,820	-	39,964				
-	-	-	1,553,976				
-	-	-	25,000				
\$ 3,009	\$ 409,493	\$ -	\$ 8,448,956				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,097,387	\$ 603,303
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	169,255	162,999
Bad Debt Expense	24,704	16,658
Unrealized Gain on Investments	(5,027)	(3,571)
Realized Gain on Investments	(46,316)	(84,846)
Change in Value of Beneficial Interest in Remainder Trust	(14,053)	(13,478)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	(113,349)	(85,556)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	181,259	(343,361)
Pledge Receivable	(369,793)	-
Prepaid Expenses and Other Assets	6,495	8,706
Accounts Payable and Due to Agencies	(32,340)	(21,267)
Accrued Salaries and Wages	(1,877)	(167,608)
Accrued Payroll Taxes	(2,708)	951
Deferred Revenue and Rent	(101,659)	11,739
Net Cash Provided by Operating Activities	791,978	84,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of Property and Equipment	(304,420)	(287,925)
Purchases of Short-Term Investments	(700,309)	(248,118)
Proceeds from Sale of Investments	695,317	237,428
Net Cash Used by Investing Activities	(309,412)	(298,615)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(7,678)	(7,310)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	474,888	(221,256)
Cash and Cash Equivalents - Beginning of Year	1,406,182	1,627,438
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,881,070	\$ 1,406,182
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 868	\$ 1,294

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018 the allowance for doubtful accounts is \$35,000 and \$16,006, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 14.

**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 15.

**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.

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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.

**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, 2019 AND 2018**

**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, 2019 and 2018. 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, 2019 and 2018.

**Adoption of New Accounting Standard**

In 2019, the Association adopted Accounting standards Update (ASU) No. 2016-14 – *Not-for-Profit entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes to the financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications. The ASU has been retrospectively applied to prior periods presented as if the policy had always been used except for the liquidity disclosure which is only as of 2018, as allowed by the standard.

**New Accounting Standards**

**Revenue Recognition**

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 will be effective for the Association for the year ending June 30, 2020.

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**New Accounting Standards (Continued)**

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in subtopic 958-605, Not-for-Profit Entities Revenue Recognition with Customers, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified retrospective basis. As a resource recipient, the guidance will be effective for the Association for the year ending June 30, 2020.

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. However, the required date of adoption has been deferred by one year. Early adoption is permitted.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2018 financial statement amounts in order to conform to the June 30, 2019 presentation. These reclassifications have had no impact on the total assets, net assets, or changes in net assets previously reported.

**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.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 1,881,070
Certificates of Deposit Maturing Within One Year	244,172
Accounts Receivable and Contributions Receivable	666,099
Pledge Receivable Due Within One Year	100,000
Investments	<u>2,685,857</u>
Total	5,577,198
Less:	
Amounts Restricted to Specific Programs or Activities	(110,131)
Amounts set Aside for mid to Long-Term Investing	<u>(2,685,857)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within one Year	<u><u>\$ 2,781,210</u></u>

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. 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>2019</u>	<u>2018</u>
Illinois Department of Children and Family Services	\$ 582,880	\$ 719,212
Head Start Program (CHASI)	42,662	43,140
Illinois Department of Human Services	21,164	66,469
Parent Fees	14,729	16,554
Other	<u>39,664</u>	<u>42,693</u>
Total	701,099	888,068
Allowance for Doubtful Accounts	<u>(35,000)</u>	<u>(16,006)</u>
Total	<u><u>\$ 666,099</u></u>	<u><u>\$ 872,062</u></u>

Conditional promises to give at June 30, 2019 and 2018 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, 2019 and 2018.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 4 PLEDGE RECEIVABLE**

During the year ended June 30, 2019, the Association received a pledge from one donor that is expected to be collected during the following fiscal years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 100,000
2021	100,000
2022	100,000
2023	100,000
Total Pledges Receivable	400,000
Less: Discount to Net Present Value	(30,207)
Total	<u>\$ 369,793</u>

The discount rate used was 5.50%.

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 92,879	\$ 92,879
Buildings and Improvements	3,016,883	2,784,222
Furniture and Equipment	844,549	824,489
Telecommunications Equipment	130,951	109,032
Playground Equipment	275,064	277,884
Computer Equipment	388,900	525,714
Website Development	41,668	30,618
Vehicles	149,561	149,561
Total	<u>4,940,455</u>	<u>4,794,399</u>
Accumulated Depreciation	<u>(3,295,517)</u>	<u>(3,284,626)</u>
Total	<u>\$ 1,644,938</u>	<u>\$ 1,509,773</u>

**NOTE 6 INVESTMENTS**

A summary of investments at June 30 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Mutual Funds	\$ 556,655	\$ 691,854	\$ 426,774	\$ 504,035
Foreign Mutual Funds	278,973	305,983	388,743	447,572
Exchange Traded Funds	205,291	208,051	332,525	393,548
Hedge Funds	90,974	96,988	90,974	104,224
Real Estate Funds	99,248	94,829	59,318	48,834
Commodity Funds	43,042	40,412	45,035	42,630
Bond Funds	1,227,351	1,247,740	1,111,534	1,089,088
Total	<u>\$ 2,501,534</u>	<u>\$ 2,685,857</u>	<u>\$ 2,454,903</u>	<u>\$ 2,629,931</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018 are as follows:

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>	<u>-</u>	<u>-</u>	<u>2,685,857</u>
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>

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

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

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, 2017	\$ 237,951	\$ 2,186,009
Change in Value of Trust	13,478	85,556
Fair Value - June 30, 2018	251,429	2,271,565
Change in Value of Trust	14,053	113,349
Fair Value - June 30, 2019	<u>\$ 265,482</u>	<u>\$ 2,384,914</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, the Trust contributed \$10,000 and \$45,000, respectively, to the Association. At June 30, 2019 and 2018, \$34,233 and \$12,905 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. As of June 30, 2019 and 2018, the accumulated depreciation of office equipment under capital leases was \$23,399 and \$15,721, 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, 2019.

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 8,604
2021	6,758
Total	<u>15,362</u>
Imputed Interest	(683)
Present Value of Minimum Lease Payments	<u><u>\$ 14,679</u></u>

**NOTE 10 LINE OF CREDIT**

The Association entered into a line of credit agreement, due on demand, on February 3, 2015 which will continue indefinitely until the parties to the agreement agree to terminate the agreement. This agreement provides for borrowings up to \$500,000 and bears interest equal to the prime rate minus 0.50%. The prime rate was 5.50% and 5.00% at June 30, 2019 and 2018, 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, 2019 and 2018.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

The Association's net assets with donor restrictions at June 30, 2019 and 2018 total \$3,130,324 and \$2,708,440, respectively, which is restricted for the following programs or time:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Program Training	\$ 2,074	\$ 3,826
Sibling Camp	7,000	28,000
Education	36,511	50,610
Program Activities	23,314	24,574
Program Equipment	7,329	8,436
Therapy and Clinical Advocacy	33,903	70,000
Total	<u>110,131</u>	<u>185,446</u>
Subject to the Passage of Time:		
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditure Until Due	369,793	-
Beneficial Interest in Remainder Trust	265,482	251,429
Beneficial Interest in Hephzibah Children's Trust	2,384,914	2,271,565
Subtotal	<u>3,020,189</u>	<u>2,522,994</u>
Total	<u>\$ 3,130,320</u>	<u>\$ 2,708,440</u>

In fiscal year 2019 and 2018, \$137,996 and \$251,283, respectively, were released from restrictions as follows:

	<u>2019</u>	<u>2018</u>
Expiration of Time Restrictions	\$ -	\$ -
Satisfaction of Purpose Restrictions:		
Program Training	1,751	10,814
Sibling Camp	28,000	36,000
Education	34,099	60,398
Program Activities	13,941	12,528
Program Equipment	4,107	131,543
Therapy and Clinical Advocacy	56,098	-
Total	<u>\$ 137,996</u>	<u>\$ 251,283</u>

**NOTE 12 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, 2019 and 2018, the Association contributed \$283,990 and \$272,087, respectively, to the plan. For fiscal years 2019 and 2018, the Association contributed 5% of gross salaries, of which \$167,197 and \$158,820, respectively, constituted the 401(k) match. The balance of the contribution to the plan was made at the discretion of the Association. The benefit contribution is included in employee benefits on the statements of functional expenses and directly related program services revenues.



**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 13 LEASES**

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a lease expiring in September 2022. The Association also utilizes certain items of office equipment under various operating lease agreements which expire in January 2020.

Estimated future minimum annual commitments under noncancelable operating leases in place at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 210,800
2021	210,610
2022	217,787
2023	54,975
Total	<u>\$ 694,172</u>

Office space and equipment rent expense during fiscal years 2019 and 2018 was \$238,198 and \$237,540, respectively. Subsequent to June 30, 2019, the Association entered into a new agreement for office equipment requiring monthly payments of \$1,965 over the five-year lease term.

**NOTE 14 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, 2019 and 2018, the value of the Association's interest in the remainder trust was \$265,482 and \$251,429, 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, 2019 and 2018.

**NOTE 15 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.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 15 BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST (CONTINUED)**

The Association values its interest in the Trust using 100% of the net asset value of the Trust. As of June 30, 2019 and 2018, the value of the Association's interest in the Trust was \$2,384,914 and \$2,271,565, 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, 2019 and 2018.

**NOTE 16 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.

**NOTE 17 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 18 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 64% and 67% of total support and revenues during the years ended June 30, 2019 and 2018, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 58% and 61% of total support and revenues in the years ended June 30, 2019 and 2018, 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 83% and 81% of the total outstanding accounts receivable balance as of June 30, 2019 and 2018, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 18 SIGNIFICANT CONCENTRATIONS (CONTINUED)**

**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, 2019 and 2018, the Association's uninsured cash balances totaled \$1,288,508 and \$926,813, respectively.

**NOTE 19 SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 18, 2019, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to October 18, 2019 that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.

