

HEPHZIBAH CHILDREN'S ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**HEPHZIBAH CHILDREN'S ASSOCIATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF FUNCTIONAL EXPENSES AND DIRECTLY RELATED PROGRAM SERVICES REVENUES	8
STATEMENTS OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Hephzibah Children's Association

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 19, 2022

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,573,181	\$ 439,750	\$ 2,012,931
Accounts and Contributions Receivable, Net	1,508,186	-	1,508,186
Pledge Receivables	-	248,204	248,204
Prepaid Expenses	172,245	-	172,245
Investments	3,480,905	-	3,480,905
Total Current Assets	6,734,517	687,954	7,422,471
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,371,257	2,371,257
PROPERTY AND EQUIPMENT, NET	2,311,899	-	2,311,899
Total Assets	\$ 9,046,416	\$ 3,059,211	\$ 12,105,627
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 445,760	\$ -	\$ 445,760
Accrued Salaries and Wages	757,959	-	757,959
Accrued Payroll Taxes	29,778	-	29,778
Obligations Under Capital Leases	16,723	-	16,723
Deferred Revenue - Parent Fees	111,975	-	111,975
Deferred Rent	4,069	-	4,069
Total Current Liabilities	1,366,264	-	1,366,264
NONCURRENT LIABILITIES			
Obligations Under Capital Leases	31,576	-	31,576
Total Noncurrent Liabilities	31,576	-	31,576
Total Liabilities	1,397,840	-	1,397,840
NET ASSETS	7,648,576	3,059,211	10,707,787
Total Liabilities and Net Assets	\$ 9,046,416	\$ 3,059,211	\$ 12,105,627

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,881,083	\$ 700,952	\$ 2,582,035
Certificates of Deposit	244,488	-	244,488
Accounts and Contributions Receivable, Net	1,288,488		1,288,488
Pledge Receivable	-	175,000	175,000
Prepaid Expenses	177,416	-	177,416
Investments	3,765,004	-	3,765,004
Other Assets	693	-	693
Total Current Assets	7,357,172	875,952	8,233,124
PLEDGE RECEIVABLE, Less Current Portion Above	-	96,852	96,852
BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST	-	2,805,777	2,805,777
PROPERTY AND EQUIPMENT, NET	1,795,947	-	1,795,947
Total Assets	\$ 9,153,119	\$ 3,778,581	\$ 12,931,700
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 641,037	\$ -	\$ 641,037
Accrued Salaries and Wages	863,094	-	863,094
Accrued Payroll Taxes	39,299	-	39,299
Obligations Under Capital Leases	12,734	-	12,734
Due to DCFS	116,329	-	116,329
Deferred Revenue - Parent Fees	26,933	-	26,933
Total Current Liabilities	1,699,426	-	1,699,426
NONCURRENT LIABILITIES			
Deferred Rent	18,232	-	18,232
Obligations Under Capital Leases	40,521	-	40,521
Total Noncurrent Liabilities	58,753	-	58,753
Total Liabilities	1,758,179	-	1,758,179
NET ASSETS	7,394,940	3,778,581	11,173,521
Total Liabilities and Net Assets	\$ 9,153,119	\$ 3,778,581	\$ 12,931,700

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	\$ 8,420,710	\$ 23,704	\$ 8,444,414
United Way of Metropolitan Chicago	24,999	-	24,999
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	1,349,457	287,208	1,636,665
Special Events	719,575	-	719,575
In-Kind Contributions	136,862	-	136,862
Other Revenue:			
Program Service Fees and Grants	1,142,736	-	1,142,736
Interest, Dividend, and Other Income	80,647	-	80,647
Unrealized Loss	(678,420)	-	(678,420)
Realized Gain	72,528	-	72,528
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	(434,520)	(434,520)
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	595,762	(595,762)	-
Total Revenues and Support	11,864,856	(719,370)	11,145,486
EXPENSES			
Program Services	9,328,450	-	9,328,450
Management and General	1,430,948	-	1,430,948
Development	851,822	-	851,822
Total Expenses	11,611,220	-	11,611,220
CHANGE IN NET ASSETS	253,636	(719,370)	(465,734)
Net Assets - Beginning of Year	7,394,940	3,778,581	11,173,521
NET ASSETS - END OF YEAR	\$ 7,648,576	\$ 3,059,211	\$ 10,707,787

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	\$ 8,878,904	\$ -	\$ 8,878,904
United Way of Metropolitan Chicago	17,906	-	17,906
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	1,529,313	627,861	2,157,174
Special Events	322,022	-	322,022
In-Kind Contributions	107,603	-	107,603
Other Revenue:			
Program Service Fees and Grants	761,574	-	761,574
Interest, Dividend, and Other Income	59,961	-	59,961
Unrealized Loss	(29,700)	-	(29,700)
Realized Gain	599,694	-	599,694
Change in Value of Beneficial Interest in Remainder Trust	59,872	-	59,872
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	473,530	473,530
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	464,610	(464,610)	-
Total Revenues and Support	12,771,759	636,781	13,408,540
EXPENSES			
Program Services	9,922,211	-	9,922,211
Management and General	1,276,814	-	1,276,814
Development	709,712	-	709,712
Total Expenses	11,908,737	-	11,908,737
CHANGE IN NET ASSETS	863,022	636,781	1,499,803
Net Assets - Beginning of Year	6,531,918	3,141,800	9,673,718
NET ASSETS - END OF YEAR	\$ 7,394,940	\$ 3,778,581	\$ 11,173,521

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES
YEAR ENDED JUNE 30, 2022**

	Program Services					
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES						
Salaries	\$ 989,983	\$ 853,186	\$ 47,288	\$ 977,442	\$ 1,260,574	\$ 1,234,144
Employee Benefits	90,275	142,086	10,067	142,574	149,798	127,778
Payroll Taxes	99,651	86,395	4,797	98,726	127,613	124,871
Total Salaries and Related Expenses	<u>1,179,909</u>	<u>1,081,667</u>	<u>62,152</u>	<u>1,218,742</u>	<u>1,537,985</u>	<u>1,486,793</u>
Professional Fees and Contract						
Service Payments	70,476	36,846	2,245	118,901	67,041	51,695
Supplies	135,832	7,489	1,358	12,897	100,897	83,087
Telephone and Telegraph	9,309	14,497	681	27,359	4,965	3,940
Postage and Shipping	340	759	59	955	66	42
Occupancy	58,961	84,163	6,653	98,376	100,935	83,867
Printing and Reference Material	18,820	903	193	25,645	18,717	16,734
Local Transportation	3,712	26,773	3,655	33,346	13,001	10,337
Training, Conferences, and Major Trips	4,537	1,021	2,523	2,021	7,673	6,229
Specific Assistance to Individuals	10,828	71,171	1,048	835,595	15,899	18,680
Membership Dues	4,620	3,307	230	13,579	5,157	4,221
Equipment Rental, Repairs, and Maintenance	1,226	3,870	302	4,452	9,289	7,601
Costs of Direct Benefits to Donors	-	-	-	-	-	-
Miscellaneous	7,282	6,362	71	4,927	44,302	36,128
Total Functional Expenses, Before Depreciation	<u>1,505,852</u>	<u>1,338,828</u>	<u>81,170</u>	<u>2,396,795</u>	<u>1,925,927</u>	<u>1,809,354</u>
Depreciation	4,542	16,957	1,323	19,509	77,682	73,617
Total Functional Expenses	<u>1,510,394</u>	<u>1,355,785</u>	<u>82,493</u>	<u>2,416,304</u>	<u>2,003,609</u>	<u>1,882,971</u>
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	231,688	207,972	12,654	370,652	307,346	288,840
ALLOCATION OF DEVELOPMENT EXPENSES	<u>137,921</u>	<u>123,803</u>	<u>7,533</u>	<u>220,643</u>	<u>182,958</u>	<u>171,942</u>
Total Program Services and Supporting Services Expenses	<u>\$ 1,880,003</u>	<u>\$ 1,687,560</u>	<u>\$ 102,680</u>	<u>\$ 3,007,599</u>	<u>\$ 2,493,913</u>	<u>\$ 2,343,753</u>
DIRECTLY RELATED PROGRAM SERVICES REVENUES						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ 1,629	\$ 1,371,224	\$ 48,810	\$ 2,908,356	\$ 1,559,867	\$ 1,568,297
Illinois Department of Human Services	131,077	-	-	-	-	-
Other Government Agencies	269,696	-	-	-	318,414	45,748
Other	17,296	-	-	-	-	-
Program Service Fees and Grants	1,142,736	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	-	13,749	11,250
Total Directly Related Program Services Revenues	<u>\$ 1,562,434</u>	<u>\$ 1,371,224</u>	<u>\$ 48,810</u>	<u>\$ 2,908,356</u>	<u>\$ 1,892,030</u>	<u>\$ 1,625,295</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, 2022**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
FUNCTIONAL EXPENSES						
Salaries	\$ 31,890	\$ 5,394,507	\$ 1,010,000	\$ 394,392	\$ 1,404,392	\$ 6,798,899
Employee Benefits	2,270	664,848	129,345	51,102	180,447	845,295
Payroll Taxes	3,169	545,222	102,441	39,888	142,329	687,551
Total Salaries and Related Expenses	37,329	6,604,577	1,241,786	485,382	1,727,168	8,331,745
Professional Fees and Contract						
Service Payments	9,003	356,207	52,192	79,515	131,707	487,914
Supplies	8,172	349,732	13,322	2,711	16,033	365,765
Telephone and Telegraph	295	61,046	5,765	3,202	8,967	70,013
Postage and Shipping	27	2,248	842	8,195	9,037	11,285
Occupancy	2,955	435,910	61,927	32,256	94,183	530,093
Printing and Reference Material	290	81,302	6,728	34,843	41,571	122,873
Local Transportation	3	90,827	4,038	415	4,453	95,280
Training, Conferences, and Major Trips	232	24,236	3,657	1,820	5,477	29,713
Specific Assistance to Individuals	17,397	970,618	-	-	-	970,618
Membership Dues	-	31,114	2,398	-	2,398	33,512
Equipment Rental, Repairs, and Maintenance	139	26,879	2,970	1,439	4,409	31,288
Costs of Direct Benefits to Donors	-	-	-	144,847	144,847	144,847
Miscellaneous	540	99,612	20,540	51,898	72,438	172,050
Total Functional Expenses, Before Depreciation	76,382	9,134,308	1,416,165	846,523	2,262,688	11,396,996
Depreciation	512	194,142	14,783	5,299	20,082	214,224
Total Functional Expenses	76,894	9,328,450	\$ 1,430,948	\$ 851,822	\$ 2,282,770	\$ 11,611,220
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	11,796	1,430,948				
ALLOCATION OF DEVELOPMENT EXPENSES	7,022	851,822				
Total Program Services and Supporting Services Expenses	\$ 95,712	\$ 11,611,220				
DIRECTLY RELATED PROGRAM SERVICES REVENUES						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 7,458,183				
Illinois Department of Human Services	-	131,077				
Other Government Agencies	-	633,858				
Other	-	17,296				
Program Service Fees and Grants	-	1,142,736				
United Way of Metropolitan Chicago	-	24,999				
Total Directly Related Program Services Revenues	\$ -	\$ 9,408,149				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES
YEAR ENDED JUNE 30, 2021**

	Program Services					
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Diagnostic Treatment Center	Residence
FUNCTIONAL EXPENSES						
Salaries	\$ 1,445,864	\$ 720,048	\$ 41,892	\$ 851,165	\$ 1,597,684	\$ 1,178,924
Employee Benefits	194,920	133,381	4,810	138,735	259,696	185,062
Payroll Taxes	131,471	64,512	3,812	76,515	145,399	107,095
Total Salaries and Related Expenses	<u>1,772,255</u>	<u>917,941</u>	<u>50,514</u>	<u>1,066,415</u>	<u>2,002,779</u>	<u>1,471,081</u>
Professional Fees and Contract						
Service Payments	59,485	36,974	1,252	103,975	55,602	40,056
Supplies	172,277	15,091	3,169	19,464	114,704	93,504
Telephone and Telegraph	9,119	10,701	421	21,504	7,643	6,140
Postage and Shipping	536	1,122	82	1,389	148	145
Occupancy	52,695	65,470	4,929	75,925	110,336	120,643
Printing and Reference Material	12,314	7,641	375	13,791	12,418	8,989
Local Transportation	422	22,587	1,946	32,285	11,889	10,760
Training, Conferences, and Major Trips	3,025	672	2,512	6,346	3,482	2,866
Specific Assistance to Individuals	1,361	38,331	457	799,659	22,228	20,740
Membership Dues	5,659	1,158	84	1,904	3,395	2,914
Equipment Rental, Repairs, and Maintenance	1,076	2,692	196	3,128	7,902	6,466
Costs of Direct Benefits to Donors:						
Auctioneers and Auction Items	-	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-	-
Miscellaneous	9,634	8,761	128	15,733	29,320	25,118
Total Functional Expenses, Before Depreciation	<u>2,099,858</u>	<u>1,129,141</u>	<u>66,065</u>	<u>2,161,518</u>	<u>2,381,846</u>	<u>1,809,422</u>
Depreciation	4,139	12,991	950	15,094	74,008	70,469
Total Functional Expenses	<u>2,103,997</u>	<u>1,142,132</u>	<u>67,015</u>	<u>2,176,612</u>	<u>2,455,854</u>	<u>1,879,891</u>
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	270,747	146,972	8,624	280,092	316,025	241,909
ALLOCATION OF DEVELOPMENT EXPENSES	150,494	81,694	4,793	155,688	175,661	134,464
Total Program Services and Supporting Services Expenses	<u>\$ 2,525,238</u>	<u>\$ 1,370,798</u>	<u>\$ 80,432</u>	<u>\$ 2,612,392</u>	<u>\$ 2,947,540</u>	<u>\$ 2,256,264</u>
DIRECTLY RELATED PROGRAM SERVICES REVENUES						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 1,294,436	\$ 58,715	\$ 2,555,777	\$ 1,948,441	\$ 1,467,675
Payroll Protection	924,316	-	-	-	115,000	115,000
Other Government Agencies	288,539	-	-	-	50,247	34,753
Other	12,932	-	-	-	-	-
Program Service Fees and Grants	761,574	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	-	10,563	7,343
Total Directly Related Program Services Revenues	<u>\$ 1,987,361</u>	<u>\$ 1,294,436</u>	<u>\$ 58,715</u>	<u>\$ 2,555,777</u>	<u>\$ 2,124,251</u>	<u>\$ 1,624,771</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, 2021**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
FUNCTIONAL EXPENSES						
Salaries	\$ 46,453	\$ 5,882,030	\$ 883,761	\$ 362,385	\$ 1,246,146	\$ 7,128,176
Employee Benefits	12,195	928,799	138,895	65,910	204,805	1,133,604
Payroll Taxes	4,106	532,910	78,109	32,881	110,990	643,900
Total Salaries and Related Expenses	62,754	7,343,739	1,100,765	461,176	1,561,941	8,905,680
Professional Fees and Contract						
Service Payments	3,279	300,623	51,173	78,105	129,278	429,901
Supplies	1,319	419,528	9,088	2,950	12,038	431,566
Telephone and Telegraph	399	55,927	3,845	2,081	5,926	61,853
Postage and Shipping	84	3,506	684	7,979	8,663	12,169
Occupancy	4,865	434,863	47,135	26,059	73,194	508,057
Printing and Reference Material	14	55,542	4,872	32,148	37,020	92,562
Local Transportation	-	79,889	3,427	121	3,548	83,437
Training, Conferences, and Major Trips	-	18,903	2,520	1,398	3,918	22,821
Specific Assistance to Individuals	22,428	905,204	-	-	-	905,204
Membership Dues	-	15,114	2,060	130	2,190	17,304
Equipment Rental, Repairs, and Maintenance	202	21,662	2,151	1,055	3,206	24,868
Costs of Direct Benefits to Donors:						
Auctioneers and Auction Items	-	-	-	25,855	25,855	25,855
Other Costs of Direct Benefits to Donors	-	-	-	20,799	20,799	20,799
Miscellaneous	561	89,255	34,302	45,651	79,953	169,208
Total Functional Expenses, Before Depreciation	95,905	9,743,755	1,262,022	705,507	1,967,529	11,711,284
Depreciation	805	178,456	14,792	4,205	18,997	197,453
Total Functional Expenses	96,710	9,922,211	\$ 1,276,814	\$ 709,712	\$ 1,986,526	\$ 11,908,737
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	12,445	1,276,814				
ALLOCATION OF DEVELOPMENT EXPENSES	6,918	709,712				
Total Program Services and Supporting Services Expenses	\$ 116,073	\$ 11,908,737				
DIRECTLY RELATED PROGRAM SERVICES REVENUES						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 7,325,044				
Payroll Protection	-	1,154,316				
Other Government Agencies	-	373,539				
Other	-	12,932				
Program Service Fees and Grants	-	761,574				
United Way of Metropolitan Chicago	-	17,906				
Total Directly Related Program Services Revenues	\$ -	\$ 9,645,311				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (465,734)	\$ 1,499,803
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	214,224	197,453
Gain on Retiring Lease	-	(2,118)
Bad Debt Expense	13,261	1,425
Unrealized Loss on Investments	678,420	29,700
Realized Gain on Investments	(72,528)	(599,694)
Change in Value of Beneficial Interest in Remainder Trust	-	(59,872)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	434,520	(473,530)
Forgiveness of PPP Loan	-	(1,164,390)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(232,959)	(195,782)
Pledge Receivable	23,648	31,304
Prepaid Expenses and Other Assets	5,864	(22,214)
Accounts Payable and Due to Agencies	(311,606)	270,418
Accrued Salaries and Wages	(105,135)	407,273
Accrued Payroll Taxes	(9,521)	19,707
Deferred Revenue and Rent	70,879	(38,650)
Net Cash Provided (Used) by Operating Activities	243,333	(99,167)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(719,944)	(304,744)
Proceeds from Beneficial Interest in Remainder Trust	-	321,577
Purchases of Short-Term Investments	(321,478)	(3,521,823)
Proceeds from Sale of Investments	244,173	3,157,959
Net Cash Used by Investing Activities	(797,249)	(347,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(15,188)	(11,242)
Net Cash Used by Financing Activities	(15,188)	(11,242)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(569,104)	(457,440)
Cash and Cash Equivalents - Beginning of Year	2,582,035	3,039,475
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,012,931	\$ 2,582,035
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 7,027	\$ 6,949

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 (IRC). 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 17).

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. The Association liquidated their Certificates of Deposit during the year ended June 30, 2022.

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, 2022 and 2021, the allowance for doubtful accounts is \$72,093 and \$60,000, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of mutual 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 was the beneficiary of a charitable remainder trust that was administered by a third party and was subject to donor restrictions. The trust was paid out in full during the year ended June 30, 2021.

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 17).

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 \$2,500 minimum capitalization policy. Depreciation is computed by using the straight-line method over the following estimated useful lives:

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

Impairment of Long-Lived Assets

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

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2022 and 2021, the Association had no net assets with perpetual donor restrictions.

Revenue Recognition

The Association derives its revenue primarily from grants and contributions. The following discloses the recognition for the Association's most significant revenue streams:

Fees and Grants from Government Agencies

The Association receives a significant portion of its operating funds from grants and awards. These funds are reported as without donor restricted support as the grants reimburse the Association for services provided. Government grants received in advance are recorded initially as deferred revenue and are then recognized as revenue is earned, which generally occurs when services are provided, and expenses are incurred. Program service fees consists primarily of revenue received from the state of Illinois which is paid based upon a contracted rate per day. Government and program service fees are recognized as earned once performance obligations are met for the program. The Association has received \$-0- in cost reimbursable grants that have not been recognized at June 30, 2022 and 2021, because qualifying expenditures have not yet been incurred. The Association's grants are based upon service days and not reimbursable amounts.

Individual, Corporate and Foundation Contributions and Grants

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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Program Service Fees and Grants

Program service fee income is recognized in the month in which the day care services are provided and is considered revenue that falls under contracts with customers (Topic 606).

Special Events

The Association records revenues from special events as either contributions or as contracts with customers (Topic 606) depending upon the value of the goods or services promised to be transferred to the event attendee. Revenue is recognized over time as the event takes place. Payments received in advance are deferred. All special events revenue was considered contributions for the years ended June 30, 2022 and 2021.

In-Kind Contributions

The Association's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made. Such donations are reported as without donor restricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met. Donations of services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. For the years ended June 30, 2022 and 2021, the Association received \$136,863 and \$107,603 of in-kind contributions, respectively.

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 Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits that are not a direct expense 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.

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.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is a tax-exempt organization as defined by Section 501(c)(3) of the IRC. 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, 2022 and 2021. The Association files tax returns in the U.S. federal jurisdiction and one state. There are no uncertain tax positions for the years ended June 30, 2022 and 2021.

Adoption of New Accounting Standard

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The amendments in the guidance are effective for the year ending June 30, 2022.

Pending Pronouncement

Leases

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

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 \$1.3M. 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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,012,931	\$ 2,582,035
Certificates of Deposit Maturing Within One Year	-	244,488
Accounts Receivable, Net	1,508,186	1,288,488
Pledge Receivable Due Within One Year	248,204	175,000
Investments	3,480,905	3,765,004
Total	<u>7,250,226</u>	<u>8,055,015</u>
Less:		
Amounts Restricted to Specific Programs or Activities	(439,750)	(700,952)
Amounts Set Aside for Mid- to Long-Term Investing	<u>(3,480,905)</u>	<u>(3,765,004)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,329,571</u>	<u>\$ 3,589,059</u>

The Association's accounts and pledge receivables are subject to time restrictions but available for general operations upon receipt. 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>2022</u>	<u>2021</u>
Illinois Department of Children and Family Services	\$ 1,347,060	\$ 1,156,472
Illinois Department of Human Services	45,873	14,796
Parent Fees	33,185	46,523
Other	154,161	130,697
Total	<u>1,580,279</u>	<u>1,348,488</u>
Allowance for Doubtful Accounts	<u>(72,093)</u>	<u>(60,000)</u>
Total	<u>\$ 1,508,186</u>	<u>\$ 1,288,488</u>

Conditional promises to give at June 30, 2022 and 2021 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, 2022 and 2021.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 PLEDGE RECEIVABLES

Pledge receivables consist of pledges that are expected to be collected during the following fiscal year:

Year Ending June 30,	Amount
2023	\$ 248,204
Total Pledges Receivable	\$ 248,204

All pledges are expected to be collected in the next year ended June 30, 2023.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2022	2021
Land and Improvements	\$ 167,239	\$ 167,239
Buildings and Improvements	3,780,093	3,170,709
Furniture and Equipment	985,479	903,868
Telecommunications Equipment	218,987	192,609
Playground Equipment	298,014	275,064
Computer Equipment	510,759	475,138
Website Development	41,668	41,668
Vehicles	153,582	153,582
Construction in Progress	-	45,768
Total	6,155,821	5,425,645
Accumulated Depreciation	(3,843,922)	(3,629,698)
Total	\$ 2,311,899	\$ 1,795,947

NOTE 6 INVESTMENTS

A summary of investments at June 30 is as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Moderate Growth Mutual Fund	\$ 3,981,955	\$ 3,480,905	\$ 3,587,634	\$ 3,765,004
Total	\$ 3,981,955	\$ 3,480,905	\$ 3,587,634	\$ 3,765,004

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.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022 and 2021 are as follows:

<u>Description</u>	2022			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Moderate Growth Mutual Fund	\$ 3,480,905	\$ -	\$ -	\$ 3,480,905
Total Investments	3,480,905	-	-	3,480,905
Beneficial Interest in Hephzibah Children's Trust	-	-	2,371,257	2,371,257
Total	<u>\$ 3,480,905</u>	<u>\$ -</u>	<u>\$ 2,371,257</u>	<u>\$ 5,852,162</u>
<u>Description</u>	2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Moderate Growth Mutual Fund	\$ 3,765,004	\$ -	\$ -	\$ 3,765,004
Total Investments	3,765,004	-	-	3,765,004
Beneficial Interest in Hephzibah Children's Trust	-	-	2,805,777	2,805,777
Total	<u>\$ 3,765,004</u>	<u>\$ -</u>	<u>\$ 2,805,777</u>	<u>\$ 6,570,781</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020	\$ 261,705	\$ 2,332,247
Change in Value of Trust	59,872	473,530
Proceeds from Trust	(321,577)	-
Fair Value - June 30, 2021	-	2,805,777
Change in Value of Trust	-	(434,520)
Fair Value - June 30, 2022	<u>\$ -</u>	<u>\$ 2,371,257</u>

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, 2022 and 2021, the Trust contributed \$75,000 and \$55,000, respectively, to the Association. At June 30, 2022 and 2021, \$112,472 and \$85,065, 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. This office equipment was disposed of during 2021. In 2020, the Association entered into a capital lease agreement and acquired four copiers with a value of \$49,074. In 2021, the Association entered into a capital lease agreement and acquired two copiers with a value of \$21,504. In 2022, the Association entered into a capital lease agreement and acquired two copiers with a value of \$10,232. As of June 30, 2022 and 2021, the accumulated depreciation of office equipment under capital leases was \$32,511 and \$21,219, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 OBLIGATIONS UNDER CAPITAL LEASES (CONTINUED)

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, 2022.

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 22,197
2024	22,197
2025	12,077
2026	2,020
Total	<u>58,491</u>
Imputed Interest	(10,192)
Present Value of Minimum Lease Payments	48,299
Less: Current Maturities	(16,723)
Total Long-Term Capital Lease Obligations	<u>\$ 31,576</u>

NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN

On May 4, 2020, the Association received a loan from U.S. Bank in the amount of \$1,164,390 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Association fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. Loan forgiveness is available for eligible expenses incurred during the 24-week covered period of May 4, 2020 through October 18, 2020 or the alternative payroll covered period of May 17, 2020 through October 31, 2020.

The Association applied for and was notified by the SBA that as of November 27, 2020 the loan was forgiven in full. Forgiveness related to this program are recorded as revenue in the fees and grants from government agencies line of the Statement of Activities. The Association recognized \$1,164,390 of forgiveness revenue related to this agreement during the year ended June 30, 2021, which represents the portion of the PPP loan funds for which full forgiveness has been received.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The Small Business Administration may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association's financial position.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

The Association's net assets with donor restrictions at June 30, 2022 and 2021 total \$3,059,211 and \$3,778,581, respectively, which is restricted for the following programs or time:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Program Training	\$ -	\$ 2,074
Sibling Camp	22,500	19,000
Education	10,000	5,000
Program Activities	50,103	26,348
Program Equipment/Capital Improvements	283,243	563,626
Foster Care Program Shortfall	-	11,000
Therapy and Clinical Advocacy	73,904	73,904
Total	439,750	700,952
Subject to the Passage of Time:		
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditure Until Due	248,204	196,852
Bequest	-	75,000
Beneficial Interest in Hephzibah Children's Trust	2,371,257	2,805,777
Subtotal	2,619,461	3,077,629
Total	\$ 3,059,211	\$ 3,778,581

In fiscal year 2022 and 2021, \$595,762 and \$464,610, respectively, were released from restrictions as follows:

	2022	2021
Expiration of Time Restrictions	\$ -	\$ 321,705
Satisfaction of Purpose Restrictions:		
Training	2,074	-
Education	5,000	24,134
Program Activities	77,305	8,847
Program Equipment	500,383	86,174
Foster Care Program Shortfall	11,000	-
Therapy and Clinical Advocacy	-	23,750
Total	\$ 595,762	\$ 464,610

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 REVENUE

The following table shows the Association's revenues from contracts with customers disaggregated according to the timing of the transfer of goods or services:

	<u>2022</u>	<u>2021</u>
Revenue Recognized Over Time:		
Program Service Fees and Grants	<u>\$ 1,142,736</u>	<u>\$ 761,574</u>

NOTE 13 CONTRACT ASSETS AND LIABILITIES

The Association's contract liabilities consist of:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>July 1, 2020</u>
Deferred Revenue - Parent Fees	<u>\$ 111,975</u>	<u>\$ 26,933</u>	<u>\$ 1,336,818</u>

The Association recognized \$26,933 and \$53,769 as revenue that was previously included in contract liabilities during the years ended June 30, 2022 and 2021, respectively. The Association had no contract assets as of June 30, 2022 and 2021.

NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS

The Association received the following contributions of nonfinancial assets for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Auction Items and Raffle Donations	\$ 45,548	\$ 32,224
Public Relations	-	7,000
Supplies	82,064	47,887
Supplies for Families	9,250	20,492
Total Contributed Nonfinancial Assets	<u>\$ 136,862</u>	<u>\$ 107,603</u>

All contributed nonfinancial assets were utilized by the Association's programs and supporting services. There were no donor-imposed restrictions associated with the donated asset.

The Association receives items to be sold at its annual auction and other fundraising events, and it is the Association's policy to sell all auction items received. Contributed auction items are valued at their estimated fair value upon receipt.

The Association received air-time to communicate the needs of the Association's programs to a broader community and was valued based upon the fair value of the air-time received.

Contributed supplies were valued at their estimated fair value and utilized in the Association's operations and programs.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Contributed supplies for families were valued at their estimated fair value and provided to families in the Association's programs.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Association did not receive any contributed services during the year ended June 30, 2022 and 2021. The Association also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these services because the criteria for recognition have not been satisfied.

NOTE 15 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, 2022 and 2021, the Association contributed \$339,207 and \$556,966, respectively, to the plan. For fiscal years 2022 and 2021, the Association contributed 5% and 8% of gross salaries, respectively, of which \$211,103 and \$203,435, 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 16 LEASES

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a lease expiring in September 2022. This lease was amended in April 2022 and now expires September 30, 2030 under the amended lease agreement. The Association also utilizes certain items of office equipment under various operating lease agreements which expire in September 2025.

Estimated future minimum annual commitments under noncancelable operating leases in place at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 395,085
2024	434,271
2025	426,337
2026	419,766
2027	428,383
Thereafter	1,481,697
Total	<u>\$ 3,585,539</u>

Office space and equipment rent expense during fiscal years 2022 and 2021 was \$305,343 and \$243,879, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 17 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 IRC 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, 2022 and 2021, the value of the Association's interest in the Trust was \$2,371,257 and \$2,805,777, 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, 2022 and 2021.

NOTE 18 CASH FLOW DISCLOSURES

For the year ended June 30, 2022, noncash investing and financing transactions included \$10,232 of equipment acquired under a capital lease arrangement.

There was no noncash investing and financing transactions for the year ended June 30, 2021.

NOTE 19 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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 20 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 76% and 67% of total support and revenues during the years ended June 30, 2022 and 2021, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 67% and 55% of total support and revenues in the years ended June 30, 2022 and 2021, 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 86% and 85% of the total outstanding accounts receivable balance as of June 30, 2022 and 2021, 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, 2022 and 2021, the Association's uninsured cash balances totaled \$1,291,791 and \$2,476,386, respectively.

NOTE 21 COMMITMENTS AND CONTINGENCIES

Litigation

The Association is party to a legal matter, as a third-party litigant, that is incidental to its activities, the outcome of which cannot be predicted with certainty net of potential insurance proceeds. Management believes the outcome of the legal proceeding, will not have a materially adverse impact on the Association's financial position or activities.

NOTE 22 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 19, 2022, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to December 19, 2022 that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. Events or transactions that provided evidence about conditions that did not exist at June 30, 2022, 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, 2022.



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