HEPHZIBAH CHILDREN’S ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 3–4

FINANCIAL STATEMENTS

Statements of Financial Position 5

Statements of Activities 6

Statements of Functional Expenses 7–8

Statements of Cash Flows 9

Notes to Financial Statements 10–24

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 25–26

Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of HEPHZIBAH CHILDREN'S ASSOCIATION (the "Association") (an Illinois nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year 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 HEPHZIBAH CHILDREN'S ASSOCIATION as of June 30, 2025, and the changes in its net assets and its cash flows for the year 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 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 HEPHZIBAH CHILDREN'S ASSOCIATION and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Hephzibah Children's Association as of June 30, 2024, were audited by other auditors whose report dated January 8, 2025, expressed an unmodified opinion on those statements.

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 HEPHZIBAH CHILDREN'S ASSOCIATION's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

1717 Deerfield Road, Suite 300 South, Deerfield, Illinois 60015-3977 847•267•9600 Fax 847•267•9696 www.waradydavis.com
Member of MSI Legal & Accounting Network Worldwide msi

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 HEPHZIBAH CHILDREN'S 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 HEPHZIBAH CHILDREN'S 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025, on our consideration of HEPHZIBAH CHILDREN'S 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 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 HEPHZIBAH CHILDREN'S 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 HEPHZIBAH CHILDREN'S ASSOCIATION's internal control over financial reporting and compliance.

Warady & Davis LLP

December 10, 2025

STATEMENTS OF FINANCIAL POSITION

As of June 30		2025		2024
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$	**2,286,578**	$	723,760
Investments		**4,519,642**		4,262,459
Accounts and Contributions Receivable, net		**3,394,065**		3,908,430
Pledges Receivable		**185,000**		190,000
Prepaid Expenses		**175,764**		161,043
Total Current Assets		**10,561,049**		9,245,692
OTHER ASSETS				
Noncurrent Pledges Receivable, net		**286,434**		360,315
Beneficial Interest in Hephzibah Children's Trust		**2,879,294**		2,629,479
Property and Equipment, net		**2,526,832**		2,621,498
Operating Right-of-Use Lease Asset, net		**2,032,758**		2,385,601
Finance Right-of-Use Assets, net		**66,002**		110,238
Total Other Assets		**7,791,320**		8,107,131
	$	**18,352,369**	$	17,352,823
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$	**589,472**	$	612,485
Accrued Payroll and Vacation		**553,804**		522,665
Accrued Payroll Taxes		**15,268**		12,441
Current Portion of Operating Lease Liability		**359,461**		337,313
Current Portion of Finance Lease Liabilities		**24,553**		38,109
Deferred Revenue		**315,896**		115,419
Total Current Liabilities		**1,858,454**		1,638,432
LONG-TERM LIABILITIES				
Operating Lease Liability, net of Current Portion		**1,797,847**		2,157,308
Finance Lease Liabilities, net of Current Portion		**49,995**		74,548
Total Long-Term Liabilities		**1,847,842**		2,231,856
Total Liabilities		**3,706,296**		3,870,288
NET ASSETS				
Without Donor Restrictions		**11,187,450**		10,177,718
With Donor Restrictions		**3,458,623**		3,304,817
Total Net Assets		**14,646,073**		13,482,535
	$	**18,352,369**	$	17,352,823

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2025			2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES						
Public Support						
Individual, Corporate and Foundation Contributions and Grants	**$ 1,779,323**	**$ 113,119**	**$ 1,892,442**	$ 1,560,204	$ 575,415	$ 2,135,619
In-Kind Contributions	**188,930**	**53,756**	**242,686**	299,782		299,782
Special Events Revenue	**538,058**		**538,058**	459,752	29,576	489,328
Resale Events Revenue	**65,980**		**65,980**	10,800		10,800
Fees and Grants from Government Agencies	**9,001,251**		**9,001,251**	11,114,892		11,114,892
Total Public Support	**11,573,542**	**166,875**	**11,740,417**	13,445,430	604,991	14,050,421
Program Service Fees	**2,480,365**		**2,480,365**	2,072,498		2,072,498
Other Revenues and Gains						
Investment Income, net	**508,661**		**508,661**	454,792		454,792
Other Income	**4,720**		**4,720**	1,057		1,057
Net Change in Value of Beneficial Interest in Hephzibah Children's Trust		**249,815**	**249,815**		153,022	153,022
Total Other Revenue and Gains	**513,381**	**249,815**	**763,196**	455,849	153,022	608,871
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of Restrictions	**262,884**	**(262,884)**	**—**	422,544	(422,544)	—
Total Support and Revenues	**14,830,172**	**153,806**	**14,983,978**	16,396,321	335,469	16,731,790
EXPENSES						
Program Services						
Day Care	**2,252,296**		**2,252,296**	2,140,157		2,140,157
Family Intact Services	**1,665,455**		**1,665,455**	1,690,578		1,690,578
Positive Parenting	**127,178**		**127,178**	94,246		94,246
Foster Care	**2,988,343**		**2,988,343**	2,878,692		2,878,692
Hephzibah Home	**3,871,795**		**3,871,795**	4,047,902		4,047,902
All Other	**146,967**		**146,967**	139,834		139,834
Total Program Services	**11,052,034**		**11,052,034**	10,991,409		10,991,409
Supporting Services						
Management and General	**1,657,637**		**1,657,637**	2,038,617		2,038,617
Development	**963,594**		**963,594**	754,579		754,579
Total Supporting Services	**2,621,231**		**2,621,231**	2,793,196		2,793,196
Direct Expenses for Special Events	**147,175**		**147,175**	147,216		147,216
Total	**13,820,440**		**13,820,440**	13,931,821		13,931,821
CHANGE IN NET ASSETS	**1,009,732**	**153,806**	**1,163,538**	2,464,500	335,469	2,799,969
Net Assets, Beginning	**10,177,718**	**3,304,817**	**13,482,535**	7,713,218	2,969,348	10,682,566
NET ASSETS, ENDING	**$ 11,187,450**	**$ 3,458,623**	**$ 14,646,073**	$ 10,177,718	$ 3,304,817	$ 13,482,535

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

	Program Services							Support Services				
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Hephzibah Home	All Other	Total Program Services	Management and General	Development	Total Supporting Services	Direct Expenses for Special Events	Total Expenses
Salaries	$ 1,459,061	$ 1,035,924	$ 74,716	$ 1,289,235	$ 2,508,266	$ 54,275	$ 6,421,477	$ 1,082,778	$ 456,922	$ 1,539,700	$ —	$ 7,961,177
Employee Benefits	129,951	145,072	6,186	187,844	274,490	2,872	746,415	146,496	59,830	206,326	—	952,741
Payroll Taxes and Workers Comp Insurance	131,291	93,753	17,846	125,079	244,947	31,789	644,705	96,919	50,554	147,473	—	792,178
Total Salaries and Related Expenses	1,720,303	1,274,749	98,748	1,602,158	3,027,703	88,936	7,812,597	1,326,193	567,306	1,893,499	—	9,706,096
Bad Debt Expense	13,486	548	—	5,403	60,953	—	80,390	—	—	—	—	80,390
Contractual Services and Professional Fees	128,852	61,027	2,567	152,797	138,497	13,774	497,514	165,003	103,932	268,935	—	766,449
Supplies	225,238	10,078	1,518	15,696	182,286	939	435,755	12,142	82,440	94,582	—	530,337
Telecommunications	6,485	27,919	2,160	33,666	14,647	969	85,846	10,313	5,585	15,898	—	101,744
Postage and Shipping	131	475	37	637	287	31	1,598	887	10,734	11,621	—	13,219
Occupancy	51,599	138,216	10,565	167,402	114,252	8,549	490,583	96,220	52,412	148,632	—	639,215
Printing and Reference Materials	9,512	4,969	319	25,644	18,337	171	58,952	6,392	43,825	50,217	—	109,169
Local Transportation	12,298	31,812	7,318	85,557	29,402	356	166,743	4,423	1,060	5,483	—	172,226
Training and Conferences	14,809	6,319	450	17,006	19,208	1,477	59,269	8,813	5,460	14,273	—	73,542
Specific Assistance to Individuals	36,322	76,199	908	791,256	36,288	29,569	970,542	223	—	223	—	970,765
Membership Dues	7,246	1,918	149	2,144	6,292	—	17,749	2,586	—	2,586	—	20,335
Equipment Rental, Repairs and Maintenance	101	367	28	443	5,612	24	6,575	380	136	516	—	7,091
Cost of Direct Benefits to Donors	—	—	—	—	—	—	—	—	—	—	147,175	147,175
Miscellaneous	19,088	4,499	371	56,747	36,317	667	117,689	4,437	65,373	69,810	—	187,499
Total Functional Expenses, before Depreciation and Amortization	2,245,470	1,639,095	125,138	2,956,556	3,690,081	145,462	10,801,802	1,638,012	938,263	2,576,275	147,175	13,525,252
Depreciation and Amortization	6,826	26,360	2,040	31,787	181,714	1,505	250,232	19,625	25,331	44,956	—	295,188
TOTAL FUNCTIONAL EXPENSES	2,252,296	1,665,455	127,178	2,988,343	3,871,795	146,967	11,052,034	$ 1,657,637	$ 963,594	$ 2,621,231	$ 147,175	$ 13,820,440
Allocation of Management and General Expenses	349,040	247,669	18,913	444,394	575,765	21,856	1,657,637					
Allocation of Development and Direct Expenses for Special Events	308,751	151,791	11,591	272,360	352,881	13,395	1,110,769					
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 2,910,087	$ 2,064,915	$ 157,682	$ 3,705,097	$ 4,800,441	$ 182,218	$ 13,820,440					
DIRECTLY RELATED PROGRAM SERVICES REVENUES												
Fees and Grants from Government Agencies												
Illinois Department of Children and Family Services	$ 20,542	$ 2,115,329	$ 86,241	$ 2,859,385	$ 2,842,797	$ —	$ 7,924,294					
Illinois Department of Human Services	127,251	—	—	—	—	—	127,251					
Illinois Department of Healthcare and Family Services	—	—	—	—	300,775	—	300,775					
Illinois State Board of Education	—	—	—	—	22,813	—	22,813					
YouthCare Health Choice Illinois	—	—	—	—	513,150	—	513,150					
Other Government Agencies	38,363	—	—	—	25,656	4,038	68,057					
Other	14,864	—	—	—	—	—	14,864					
Program Service Fees	2,480,365	—	—	—	—	—	2,480,365					
United Way of Metropolitan Chicago	—	—	—	—	25,000	—	25,000					
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 2,681,385	$ 2,115,329	$ 86,241	$ 2,859,385	$ 3,730,191	$ 4,038	$ 11,476,569					

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2024

	Program Services							Support Services				
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Hephzibah Home	All Other	Total Program Services	Management and General	Development	Total Supporting Services	Direct Expenses for Special Events	Total Expenses
Salaries	$ 1,357,303	$ 986,392	$ 55,940	$ 1,122,318	$ 2,596,878	$ 53,409	$ 6,172,240	$ 936,371	$ 422,734	$ 1,359,105	$ —	$ 7,531,345
Employee Benefits	122,887	150,574	5,759	167,518	304,293	2,786	753,817	122,839	56,152	178,991	—	932,808
Payroll Taxes and Workers Comp Insurance	132,072	95,609	5,439	108,801	251,341	5,186	598,448	90,788	41,004	131,792	—	730,240
Total Salaries and Related Expenses	1,612,262	1,232,575	67,138	1,398,637	3,152,512	61,381	7,524,505	1,149,998	519,890	1,669,888	—	9,194,393
Bad Debt Expense	30,208	—	—	94,426	—	—	124,634	—	—	—	—	124,634
Contractual Services and Professional Fees	117,462	67,928	2,301	131,531	130,232	21,677	471,131	721,019	86,414	807,433	—	1,278,564
Supplies	224,261	10,785	906	22,590	184,759	3,022	446,323	9,461	3,794	13,255	—	459,578
Telecommunications	5,320	22,286	1,725	26,873	16,213	723	73,140	8,044	4,165	12,209	—	85,349
Postage and Shipping	194	704	54	886	193	45	2,076	518	9,889	10,407	—	12,483
Occupancy	48,759	135,416	10,452	165,161	102,597	8,418	470,803	92,535	51,351	143,886	—	614,689
Printing and Reference Materials	8,334	4,734	261	37,238	18,822	55	69,444	11,533	39,043	50,576	—	120,020
Local Transportation	14,757	38,963	4,953	98,682	30,983	184	188,522	4,356	1,103	5,459	—	193,981
Training and Conferences	10,850	3,972	3,044	16,333	21,216	840	56,255	7,136	1,937	9,073	—	65,328
Specific Assistance to Individuals	39,556	111,072	1,051	832,755	41,687	41,177	1,067,298	—	—	—	—	1,067,298
Membership Dues	7,115	1,817	141	2,431	5,797	—	17,301	2,387	—	2,387	—	19,688
Equipment Rental, Repairs and Maintenance	78	283	22	341	5,581	18	6,323	320	105	425	—	6,748
Cost of Direct Benefits to Donors	—	—	—	—	—	—	—	—	—	—	147,216	147,216
Miscellaneous	14,380	34,819	246	20,390	160,287	832	230,954	12,178	20,514	32,692	—	263,646
Total Functional Expenses, before Depreciation and Amortization	2,133,536	1,665,354	92,294	2,848,274	3,870,879	138,372	10,748,709	2,019,485	738,205	2,757,690	147,216	13,653,615
Depreciation and Amortization	6,621	25,224	1,952	30,418	177,023	1,462	242,700	19,132	16,374	35,506	—	278,206
TOTAL FUNCTIONAL EXPENSES	2,140,157	1,690,578	94,246	2,878,692	4,047,902	139,834	10,991,409	$ 2,038,617	$ 754,579	$ 2,793,196	$ 147,216	$ 13,931,821
Allocation of Management and General Expenses	396,943	313,558	17,480	533,922	750,779	25,935	2,038,617					
Allocation of Development and Direct Expenses for Special Events	175,590	138,704	7,732	236,184	332,112	11,473	901,795					
TOTAL PROGRAM SERVICES AND SUPPORTING SERVICES EXPENSES	$ 2,712,690	$ 2,142,840	$ 119,458	$ 3,648,798	$ 5,130,793	$ 177,242	$ 13,931,821					
DIRECTLY RELATED PROGRAM SERVICES REVENUES												
Fees and Grants from Government Agencies												
Illinois Department of Children and Family Services	$ 10,229	$ 2,016,237	$ 61,675	$ 2,810,036	$ 2,495,183	$ —	$ 7,393,360					
Illinois Department of Human Services	262,333	—	—	163,589	192,075	—	617,997					
Illinois Department of Healthcare and Family Services	—	—	—	—	443,734	—	443,734					
Illinois State Board of Education	—	—	—	—	185,787	—	185,787					
YouthCare Health Choice Illinois	—	—	—	—	515,522	—	515,522					
Other Government Agencies	35,152	—	—	—	19,759	2,473	57,384					
Other	16,551	—	—	—	—	—	16,551					
Program Service Fees	2,072,498	—	—	—	—	—	2,072,498					
United Way of Metropolitan Chicago	—	—	—	—	25,000	—	25,000					
TOTAL DIRECTLY RELATED PROGRAM SERVICES REVENUES	$ 2,396,763	$ 2,016,237	$ 61,675	$ 2,973,625	$ 3,877,060	$ 2,473	$ 11,327,833					

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30	**2025**	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ 1,163,538**	$ 2,799,969
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization on Property and Equipment	**250,952**	239,848
Amortization of Operating Lease Right-of-Use Asset	**352,843**	343,432
Amortization of Finance Lease Right-of-Use Asset	**44,236**	38,358
Bad Debt Expense	**80,390**	124,635
Realized Gain on Investments	**(150,600)**	(52,724)
Unrealized Gain on Investments	**(247,372)**	(289,006)
Change in Allowance for Uncollectible Accounts	**10,961**	—
Change in Present Value of Pledge Discount	**(36,119)**	(79,685)
Change in Value of Beneficial Interest in Hepzibah Children's Trust	**(249,815)**	(153,022)
Loss on Disposal of Property and Equipment	**—**	3,269
(Increase) Decrease in Assets		
Accounts and Contributions Receivable	**423,014**	(1,876,732)
Pledges Receivable	**115,000**	(265,630)
Bequest Receivable	**—**	25,000
Prepaid Expenses	**(14,721)**	(3,509)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**(23,013)**	58,368
Accrued Payroll and Vacation	**31,139**	15,042
Accrued Payroll Taxes	**2,827**	(420)
Operating Lease Liability	**(337,313)**	(317,196)
Deferred Revenue	**200,477**	(5,631)
Total Adjustments	**452,886**	(2,195,603)
Net Cash Provided by Operating Activities	**1,616,424**	604,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	**(500,000)**	—
Proceeds from Investment Sales and Redemptions	**750,000**	—
Reinvested Interest and Dividends	**(109,211)**	(114,562)
Purchases of Property and Equipment	**(156,286)**	(346,617)
Net Cash Used by Investing Activities	**(15,497)**	(461,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Finance Leases	**(38,109)**	(37,705)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,562,818**	105,482
Cash and Cash Equivalents, Beginning	**723,760**	618,278
CASH AND CASH EQUIVALENTS, ENDING	**$ 2,286,578**	$ 723,760
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	**$ 3,927**	$ 3,900

See accompanying notes.

NATURE OF ORGANIZATION

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING

The Association prepares its financial statements on the accrual basis of accounting in accordance with U.S. GAAP.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalent consists 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.

INVESTMENTS

The Association follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Investments consists of a mutual fund carried at fair value with the unrealized and realized gains and losses 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 net under investment income in other revenues and gains on the statements of activities.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable consists primarily of amounts due from various government agencies for reimbursement of program expenses and parent fees.

Accounts and contributions receivables are reported at management's estimate of the amount that will ultimately be collected. At June 30, 2025 and 2024, the allowance for credit losses is $83,054 and $72,093, respectively.

PLEDGES RECEIVABLE

Unconditional promises to give are reported at fair value at the date the promise or pledge is received. Long-term pledges receivable are discounted to their net present value and presented as noncurrent pledges receivable, net of the discount to present value on the statements of financial position. Pledges receivable are reduced by a valuation allowance for credit losses that reflects management's best assessment of their collectability based on specific donor information. Management analyzed the outstanding receivable balances and believes they are fully collectible, thus no allowance for doubtful accounts is deemed necessary. Amounts deemed uncollectible, if any, are recorded as bad debt expense.

BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST

The Association is the beneficiary of the net assets of Hephzibah Children's Trust (the "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 (IRS) as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code (IRC). The Association has economic interest – a beneficial interest in the Trust's assets upon dissolution of the Trust (Note 7). However, the Association and the Trust have separate boards of directors and the Association does not have a controlling interest in the Trust by majority voting board members, or other means. Consolidation would be required if both economic and controlling interest are present. Accordingly, consolidated financial statements are not prepared.

PROPERTY AND EQUIPMENT

Property and equipment purchases of $2,500 are recorded at cost when purchased or constructed, or fair value at the date of donation, when received as a contribution. Replacements and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land Improvements	10 to 15 years
Building and Improvements	5 to 31.5 years
Leasehold Improvements	5 to 10 years
Furniture and Fixtures	3 to 7 years
Equipment	5 to 31.5 years
Website	3 years
Vehicles	5 years

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF LONG-LIVED ASSETS

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate 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 their fair value. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no such impairments during the years ended June 30, 2025 and 2024.

NET ASSETS

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

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions plus those resources for which donor-imposed stipulations have been satisfied. Net assets without donor restrictions may otherwise be designated for specific purposes by action of the Board of Directors or may otherwise be limited to contractual agreements with outside parties. At June 30, 2025 and 2024, the Association had no board-designated net assets.

With Donor Restrictions: The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from 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. At June 30, 2025 and 2024, 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:

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 donors. The Association considers a contribution conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Unconditional promises to give are recognized when the promise is received.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

In-Kind Contributions: The Association's policy is to recognize in-kind donations of goods as revenue at their estimated fair value in the period such contributions, or promises thereof are received. The values are estimated as of the date of the gift using either the principal or the most advantageous market. The Association typically values the donated goods by utilizing publicly available website pricing for selling identical or similar goods and factoring the condition of the donated items. Donations of services are recorded if they create or enhance a nonfinancial asset or require specialized skills that would have to be purchased if they were not donated. They are valued based on prevailing rates for similar or identical services quoted in the Association's principal market, the Chicagoland area. Donated special event auction items are valued at the gross selling price received from their auction. The in-kind donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Association also receives a significant number 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.

Special Events: The Association records revenues from special events when the event occurs, equal to the amounts received. If the amount is received in advance, the portion considered a direct benefit is deferred until the event occurs and is presented in deferred revenue on the statements of financial position, while the contribution portion, which is the excess amount paid over the direct benefit, is recorded when received unless considered conditional on the event taking place, in which case it is also deferred.

Resale Events: The Association reports the revenue from the resale of donated clothing and other goods it collects at the gross amount it receives when the items are sold.

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 not received any funds from cost reimbursable grants in excess of qualifying expenditures it has not yet incurred at June 30, 2025 and 2024. The majority of the Association's grants are based upon service days and not reimbursable amounts.

Program Service Fees and Grants: Program service fee income is accounted for as income from contracts with customers and is recognized as the services are provided on a monthly basis.

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. For grant reporting purposes, management and general, development and direct expenses for special events are further allocated to programs based on each program's 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, repairs and maintenance, occupancy, communications and information technology, office and general supplies and services, general staff training and relations, liability insurance and interest.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES

The Association leases office space and equipment. The Association determines if an arrangement is a lease at inception. Operating and finance leases are included as right-of-use (ROU) assets on the statements of financial position. ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term. The Association has elected to recognize payments for short-term leases with a lease term of 12 months or less to expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The Association's current lease contracts do not provide information about the discount rate implicit in the leases. Therefore, the Association has elected to use a risk-free discount rate for a period comparable with that of the lease term in computing the present value of all lease liabilities.

INCOME TAX STATUS

The Association is a tax-exempt organization as defined by Section 501 (c)(3) of the IRC; and is similarly classified by the State of Illinois. 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 unrelated business income taxes owed for the year ended June 30, 2025 and 2024. The Association files tax returns in the U.S. federal jurisdiction and one state. There are no uncertain tax positions taken for the years ended June 30, 2025 and 2024.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association regularly monitors liquidity requirements and structures its financial assets to be available to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. The Association has a goal to maintain financial assets, including cash and cash equivalents, and short-term investments on hand to meet six weeks of normal operating expenses, which are, on average, approximately $1.6M. As part of its liquidity management, the Association invests cash in excess of daily requirements in an overnight sweep account and short-term investments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are comprised of the following at June 30:

	2025	2024
Cash and Cash Equivalents	**$ 2,286,578**	$ 723,760
Investments	**4,519,642**	4,262,459
Accounts and Contributions Receivable, net	**3,394,065**	3,908,430
Pledges Receivable	**185,000**	190,000
Noncurrent Pledge Receivable, net	**286,434**	360,315
Less: Net Assets with Donor Restrictions – Time and/or Purpose	**(579,329)**	(675,338)
	$ 10,092,390	$ 8,769,626

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Association's investments totaled $4,519,642 and $4,262,459 at June 30, 2025 and 2024, respectively. Although the Association does not intend to spend from these investments, these amounts could be made available if necessary.

The Association's accounts and contributions, and pledges receivable 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 supports to the Association. Funds can be granted from the Trust to the Association upon approval by the Trust's board of directors.

NOTE 3—ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	2025	2024
Illinois Department of Children and Family Services	**$ 1,220,095**	$ 1,637,015
Illinois Department of Human Services	**14,994**	156,266
Illinois Department of Healthcare and Family Services	**16,810**	107,639
Illinois State Board of Education	**3,918**	3,363
Parent Fees	**204,119**	4,981
Medicaid Youth Care	**126,118**	170,089
Employee Retention Credit Receivable	**1,808,577**	1,808,577
Other	**82,488**	92,593
	3,477,119	3,980,523
Allowance for Credit Losses	**(83,054)**	(72,093)
Total Accounts and Contributions Receivable, net	**$ 3,394,065**	$ 3,908,430

NOTE 4—PLEDGES RECEIVABLE

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

	2025	2024
Amounts Due in:		
Less Than One Year	**$ 185,000**	$ 190,000
One to Five Years	**330,000**	440,000
Total	**515,000**	630,000
Less: Discount to Net Present Value	**(43,566)**	(79,685)
Total Pledges	**471,434**	550,315
Less: Current Pledges	**(185,000)**	(190,000)
Noncurrent Pledges Receivable, net	**$ 286,434**	$ 360,315

The discount rate used in determining the net present value of pledges receivable is 4.07% for the years ended June 30, 2025 and 2024.

Conditional promises to give at June 30, 2025 consist of three pledges totaling approximately $300,000, conditional upon the settlement of the donors' estates. Furthermore, a conditional pledge was made to donate to the Association 50% of the net proceeds from the sale of certain residential real estate, conditional on the sale of the property. No value can be placed on this conditional pledge at June 30, 2025.

NOTE 5—PROPERTY AND EQUIPMENT

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

	2025	2024
Land and Improvements	$ 167,239	$ 167,239
Building and Improvements	4,259,444	4,218,295
Leasehold Improvements	21,655	21,655
Furniture and Fixtures	818,948	806,423
Equipment	700,611	640,807
Website	52,250	47,750
Vehicles	219,849	181,541
	6,239,996	6,083,710
Less: Accumulated Depreciation and Amortization	3,713,164	3,462,212
	$ 2,526,832	$ 2,621,498
Depreciation and Amortization Expense	$ 295,188	$ 278,206

NOTE 6—FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

NOTE 6—FAIR VALUE MEASUREMENTS (Continued)

Level 1 Fair Value Measurements

Level 1 investments are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets. Mutual funds are valued at their market values, which are determined daily and are quoted on a national exchange.

Level 2 Fair Value Measurements

The Association has no level 2 fair value measurements.

Level 3 Fair Value Measurements

The fair value of the Beneficial Interest in Hephzibah Children's Trust is measured as the fair value of the Trust's underlying net assets as the Association has a 100% beneficial interest in the Trust. The underlying assets primarily consist of investments in mutual and exchange traded funds. The values of those investments are determined using the market approach.

The Association recognizes distributions from and changes in the fair value of the beneficial interest on the statements of activities as net change in value of beneficial interest in Hephzibah Children's Trust.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Moderate Growth Mutual Fund	$ 4,519,642	$ —	$ —	$ 4,519,642
Beneficial Interest in Hephzibah Children's Trust	—	—	2,879,294	2,879,294
Total	$ 4,519,642	$ —	$ 2,879,294	$ 7,398,936

Fair values of assets and liabilities measured on a recurring basis at June 30, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Moderate Growth Mutual Fund	$ 4,262,459	$ —	$ —	$ 4,262,459
Beneficial Interest in Hephzibah Children's Trust	—	—	2,629,479	2,629,479
Total	$ 4,262,459	$ —	$ 2,629,479	$ 6,891,938

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):

Fair Value – June 30, 2023	$ 2,476,457
Change in Value of Trust	153,022
Fair Value – June 30, 2024	2,629,479
Change in Value of Trust	249,815
Fair Value – June 30, 2025	$ 2,879,294

NOTE 7—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's 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 beneficial interest in the Trust using 100% of the net asset value of the Trust. As of June 30, 2025 and 2024 the value of the Association's beneficial interest in the Trust was $2,879,294 and $2,629,479, respectively and is reported on the statements of financial position. The change in value of the 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 year ended June 30, 2025 and 2024.

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 year ended June 30, 2025 and 2024, the Trust contributed $20,000 and $95,000 to the Association. At June 30, 2025 and 2024, $58,180 and $16,321, respectively was payable by the Trust to the Association.

NOTE 9—LEASES

The Association rents office facilities and storage space under an operating lease agreement, which was extended on July 1, 2022 through September 30, 2030. The lease agreement calls for monthly payments ranging from $21,514 to $39,295 per month.

Lease expense consists of a fixed base rent, plus a variable component, which includes operating expenses and utilities for the office lease.

The operating lease ROU asset and lease liability at June 30 are as follows:

	2025	2024
Operating Lease Right-of-Use Asset	**$ 2,032,758**	$ 2,385,601
Operating Lease Liability	**$ 2,157,308**	$ 2,494,621
Less Current Portion	**359,461**	337,313
Long-Term Portion	**$ 1,797,847**	$ 2,157,308

NOTE 9—LEASES (Continued)

Future minimum lease payments of the operating lease as of June 30, 2025 are as follows:

Year Ending June 30:	
2026	$ 415,906
2027	428,383
2028	441,235
2029	454,472
2030	468,106
Thereafter	117,884
	2,325,986
Less: Interest (Discount to Net Present Value)	(168,678)
Present Value of Lease Liability	$ 2,157,308

The Association also leases facilities and equipment on a short-term basis, for which the Association applies the short-term lease exception, which allows it to exclude them from the computation of the ROU Assets and Liabilities. The lease expenses on all operating leases are included in the total lease costs number below and are reported as part of occupancy expense on the statements of functional expenses.

Additional information about the Association's leases follows:

	2025	2024
Lease Costs (Included in Occupancy):		
Fixed Lease Cost	**$ 419,321**	$ 419,321
Variable and Short-Term Lease Costs	**36,987**	33,667
Total Lease Costs	**$ 456,308**	$ 452,988
Weighted-Average Remaining Lease Term (Years)	**5.3**	6.3
Weighted-Average Discount Rate (Risk-Free)	**2.88%**	2.88%
Supplemental Cash Flows Information		
Cash Paid for Amounts Included in Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	**$ 403,792**	$ 392,031

The Association also leases office equipment under several finance lease agreements which expire at varying dates through September 2028.

The finance lease ROU assets and lease liability at June 30 are as follows:

	2025	2024
Finance Lease Right-of-Use Asset	**$ 66,002**	$ 110,238
Finance Lease Liability	**$ 74,548**	$ 112,657
Less Current Portion	**24,553**	38,109
Long-Term Portion	**$ 49,995**	$ 74,548

NOTE 9—LEASES (Continued)

Future minimum lease payments of the remaining finance leases as of June 30, 2025 are as follows:

Year Ending June 30:	
2026	$ 26,714
2027	23,376
2028	23,376
2029	6,463
	79,929
Less: Interest (Discount to Net Present Value)	(5,381)
Present Value of Lease Liability	$ 74,548

Additional information about the Association's leases follows:

	2025	2024
Lease Costs:		
Finance Lease Cost - Amortization	**$ 44,236**	$ 38,358
Finance Lease Cost – Interest on Finance Lease Liability	**3,950**	3,763
Total Lease Costs	**$ 48,186**	$ 42,121
Weighted-Average Remaining Lease Term (Years)	**3.0**	3.6
Weighted-Average Discount Rate (Risk-Free)	**4.32%**	4.11%
Supplemental Cash Flows Information		
Cash Paid for Amounts Included in Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	**$ 3,950**	$ 3,763
Finance Cash Flows from Finance Leases	**38,086**	37,705

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purpose or time restrictions at June 30, as follows:

	2025	2024
Subject to Expenditure for Specified Purpose:		
Sibling Camp	**$ 53,756**	$ 29,576
Program Activities	**41,447**	55,447
Program Equipment/Capital Improvements	**11,692**	40,000
Total	**106,895**	125,023
Subject to the Passage of Time:		
Pledge Receivables	**472,434**	550,315
Beneficial Interest in Hephzibah Children's Trust	**2,879,294**	2,629,479
Total	**3,351,728**	3,179,794
	$ 3,458,623	$ 3,304,817

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Satisfaction of restrictions for the year ended June 30, were for the following:

	2025	2024
Sibling Camp	$ 29,576	$ 2,700
Education	—	10,000
Program Activities	15,000	105,983
Program Equipment/Capital Improvements	78,308	213,161
Therapy and Clinical Advocacy	25,000	60,700
Expiration of Time Restrictions	115,000	30,000
Total	$ 262,884	$ 422,544

NOTE 11—REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2025	2024
Revenue Recognized Over Time:		
Program Service Fees	$ 2,480,365	$ 2,072,498

A summary of deferred revenue (contract liabilities) at June 30 is as follows:

	2025	2024
Deferred Revenue – Parent Fees	$ 315,896	$ 115,419

The Association had no contract assets as of June 30, 2025 and 2024, respectively.

During the year ended June 30, 2025 the Association recognized as revenue the entire balance of deferred revenue as of June 30, 2024 of $115,419. During the year ended June 30, 2024, the Association recognized as revenue the entire balance of deferred revenue as of June 30, 2023 of $121,050.

NOTE 12—IN-KIND DONATIONS

The Association has recorded in-kind contributions for the year ended June 30, 2025 and 2024, as follows:

	2025	2024
Auction Items and Raffle Donations	$ 37,972	$ 39,195
Resale – Infant and Toddlers	94,876	40,333
Auxiliaries – Meeting and Event Support	3,054	12,399
Public Relations	—	1,116
Supplies - General	73,277	149,815
Supplies for Families	24,507	56,924
Contributed Services	9,000	—
	$ 242,686	$ 299,782

The donated auction items were sold in the Association's special events. All other contributed nonfinancial assets were utilized by the Association's programs and supporting services. Of the total in-kind donations for the year ended June 30, 2025, $53,756 had donor restrictions. There were no donor-imposed restrictions associated with the donated assets for the year ended June 30, 2024.

NOTE 12—IN-KIND DONATIONS (Continued)

Auction Items and Raffle Donations – The Association receives items to be sold at its annual auction and other fundraising events, and it is the Association's intention to sell all auction items received.

Resale – Infant and Toddlers – Children's donated clothing and gear as well as maternity clothes are sold at the Hephzibah resale events.

Auxiliaries – Meeting and Event Support – The Association's Chicago Auxiliary received the use of space and food for its meetings throughout the year. Other auxiliaries received supplies for an event or items to be used as give-away appreciation gifts at fundraising events.

Public Relations – The Association occasionally is unable to sell all contributed items at auction and some items are specifically donated to be used for staff appreciation. These items are typically raffled off to staff at no cost, in an equal opportunity fashion.

Supplies – General – Contributed supplies are utilized in the Association's operations and programs.

Supplies for Families – Contributed supplies for families and provided to families in the Association's programs.

Contributed Services – Contributed services consisted of $5,500 of annual report and newsletter preparation, $3,000 of video production and $500 audiovisual services for a special event.

NOTE 13—RETIREMENT PLAN

The Association maintains a 401(k) and profit sharing plan covering all employees who have met eligibility requirements. For the fiscal years ended June 30, 2025 and 2024, the Association contributed $398,832 and $376,371, respectively, to the plan. For fiscal years 2025 and 2024, the Association contributed 5% of gross salaries, of which $229,735 and $227,037, respectively, constituted the 401(k) match. The balance of the Association's contribution to the plan was a discretionary contribution. The benefit contribution is included in employee benefits on the statements of functional expenses.

NOTE 14—CONCENTRATIONS OF RISK

CONCENTRATION OF CREDIT RISK

The Association maintains its cash in several large national financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2025 and 2024, the uninsured balance was $2,092,511 and $503,461, respectively. The Association has not experienced any loss in these accounts. The Association believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Association's 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. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

NOTE 14—CONCENTRATIONS OF RISK (Continued)

Credit risk associated with accounts and contributions, and pledges receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from grantors, program participants, and contributors supportive of the Association's programs and mission.

CONCENTRATION OF REVENUE AND RECEIVABLES

The Association received approximately 60% and 66% of total support and revenues during the years ended June 30, 2025 and 2024, respectively, various government contracts and grants, which includes State of Illinois funding. Approximately 53% and 44% of total support and revenues in the years ended June 30, 2025 and 2024, respectively, was received from the Association's contracts with the Illinois Department of Child and Family Services.

Amounts due from the Illinois Department of Children and Family Services represent approximately 32% and 37% of the total outstanding accounts, contributions and pledges receivable balances as of June 30, 2025 and 2024, respectively. An employee retention credit receivable from the Internal Revenue Service represents approximately 47% and 41% of the total outstanding accounts, contributions and pledges receivable balances as of June 30, 2025 and 2024, respectively.

NOTE 15—EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a grant from the government and is recognized as revenue when all conditions of such grants are fulfilled. ERC is conditional on the Organization meeting ERC certain employer eligibility criteria, as well as incurring qualifying expenses with specific per-employee caps. In 2024, the Association met the conditions of the ERC, became eligible for funding in the amount of $1,808,577 for two eligible quarters and recognized the revenue accordingly. The revenue is classified as fees and grants from government agencies on the accompanying statements of activities for the year ended June 30, 2024, and is reflected in accounts and contributions receivable on the statements of financial position as of June 30, 2025 and 2024.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. Subsequent to June 30, 2025, the IRS approved and paid the claim for the quarter ended June 30, 2021, in the amount of $843,128, plus interest. The interest is contingent on the IRS approving the underlying claim and is a factor of the IRS' internal processing time, which is not readily estimable. As such, no estimates for interest income are recorded on the books until the ERC claim is approved and the interest is calculated by the IRS.

The claim for the quarter ended September 30, 2021, of $965,450 was selected for review and subsequently denied by the Internal Revenue Service. The Association has appealed the denial and, as of the date of these financial statements, the appeal is pending resolution.

Management, after consultation with external advisors, believes that it is more likely than not (greater than 50% probability) that the Association's position will ultimately be sustained upon examination and appeal based on the technical merits of its filing. Accordingly, no adjustment to the ERC receivable has been recorded in the accompanying financial statements as of June 30, 2025.

NOTE 15—EMPLOYEE RETENTION CREDIT (Continued)

Should the appeal not be successful, the Association would have to write off the ERC receivable and recognize a bad debt expense on the statements of activities in a future period. Management will continue to monitor developments in the appeal process and will adjust its accounting estimate for the collectability of this receivable as necessary. The entire receivable balance is at risk of loss; however, management is of the opinion that the Association has complied with the eligibility criteria set forth under the terms of the ERC program and it will be able to collect the entire outstanding balance. As such, no valuation allowance has been established against this receivable as of June 30, 2025 and 2024.

NOTE 16—COMPLIANCE WITH GRANTOR RESTRICTIONS

Financial assistance from governmental entities in the form of grants is subject to a 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 17—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation without any impact to change in net assets and net assets by category.

NOTE 18—SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2025, the date on which the financial statements were available to be issued. Other than as disclosed elsewhere in the financial statements, there were no subsequent events, which require disclosure.

Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HEPHZIBAH CHILDREN'S ASSOCIATION (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEPHZIBAH CHILDREN'S ASSOCIATION's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEPHZIBAH CHILDREN'S ASSOCIATION's internal control. Accordingly, we do not express an opinion on the effectiveness of HEPHZIBAH CHILDREN'S ASSOCIATION's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

1717 Deerfield Road, Suite 300 South, Deerfield, Illinois 60015-3977 847•267•9600 Fax 847•267•9696 www.waradydavis.com
Member of MSI Legal & Accounting Network Worldwide msi

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HEPHZIBAH CHILDREN'S ASSOCIATION's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warady & Davis LLP

December 10, 2025