

**HEPHZIBAH CHILDREN'S ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**



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**HEPHZIBAH CHILDREN'S ASSOCIATION
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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, 2023 and 2022, 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, 2023 and 2022, 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 audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter – Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2023 the Association adopted the new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 February 20, 2024, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
February 20, 2024

HEPHZIBAH CHILDREN'S ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 355,387	\$ 262,891	\$ 618,278
Accounts and Contributions Receivable, Net	2,156,333	-	2,156,333
Pledge Receivables	-	205,000	205,000
Bequest Receivable	-	25,000	25,000
Prepaid Expenses	157,534	-	157,534
Investments	3,806,167	-	3,806,167
Total Current Assets	6,475,421	492,891	6,968,312
OTHER ASSETS			
Beneficial Interest in Hephzibah Children's Trust	-	2,476,457	2,476,457
Property and Equipment, Net	2,517,998	-	2,517,998
Operating Right-of-Use Lease Asset, Net	2,729,033	-	2,729,033
Financing Right-of-Use Lease Asset, Net	64,244	-	64,244
Total Other Assets	5,311,275	2,476,457	7,787,732
Total Assets	\$ 11,786,696	\$ 2,969,348	\$ 14,756,044
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 554,117	\$ -	\$ 554,117
Accrued Salaries and Wages	507,623	-	507,623
Accrued Payroll Taxes	12,861	-	12,861
Operating Short-Term Lease	316,142	-	316,142
Financing Short-Term Lease	40,961	-	40,961
Deferred Revenue - Parent Fees	121,050	-	121,050
Total Current Liabilities	1,552,754	-	1,552,754
NONCURRENT LIABILITIES			
Operating Long-Term Lease	2,494,622	-	2,494,622
Financing Long-Term Lease	26,102	-	26,102
Total Noncurrent Liabilities	2,520,724	-	2,520,724
Total Liabilities	4,073,478	-	4,073,478
NET ASSETS	7,713,218	2,969,348	10,682,566
Total Liabilities and Net Assets	\$ 11,786,696	\$ 2,969,348	\$ 14,756,044

See accompanying Notes to Financial Statements.

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 Receivable	-	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
OTHER ASSETS			
Beneficial Interest in Hephzibah Children's Trust	-	2,371,257	2,371,257
Property and Equipment, Net	2,311,899	-	2,311,899
Total Other Assets	2,311,899	2,371,257	4,683,156
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 ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fees and Grants from Government Agencies	\$ 8,697,907	\$ -	\$ 8,697,907
United Way of Metropolitan Chicago	25,002	-	25,002
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	1,326,074	219,456	1,545,530
Special Events	545,011	-	545,011
In-Kind Contributions	230,607	-	230,607
Other Revenue:			
Program Service Fees and Grants	1,624,439	-	1,624,439
Interest, Dividend, and Other Income	91,215	-	91,215
Unrealized Gain	226,713	-	226,713
Realized Gain	16,374	-	16,374
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	105,200	105,200
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	414,519	(414,519)	-
Total Revenues and Support	13,197,861	(89,863)	13,107,998
EXPENSES			
Program Services	10,708,231	-	10,708,231
Management and General	1,518,917	-	1,518,917
Development	906,071	-	906,071
Total Expenses	13,133,219	-	13,133,219
CHANGE IN NET ASSETS	64,642	(89,863)	(25,221)
Net Assets - Beginning of Year	7,648,576	3,059,211	10,707,787
NET ASSETS - END OF YEAR	\$ 7,713,218	\$ 2,969,348	\$ 10,682,566

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 FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUES
YEAR ENDED JUNE 30, 2023**

	Program Services				
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Hephzibah Home (DTC and RES)
FUNCTIONAL EXPENSES					
Salaries	\$ 1,210,005	\$ 972,687	\$ 46,812	\$ 1,148,108	\$ 2,749,074
Employee Benefits	110,553	155,640	10,375	169,040	291,730
Payroll Taxes	117,395	94,184	3,910	108,733	262,720
Total Salaries and Related Expenses	<u>1,437,953</u>	<u>1,222,511</u>	<u>61,097</u>	<u>1,425,881</u>	<u>3,303,524</u>
Professional Fees and Contract					
Service Payments	85,101	79,401	1,523	168,987	136,487
Supplies	194,459	9,280	2,211	19,237	199,704
Telephone and Telegraph	6,853	16,748	567	34,386	14,946
Postage and Shipping	215	701	43	915	41
Occupancy	48,668	128,713	7,850	168,145	143,168
Printing and Reference Material	13,314	884	41	25,662	27,999
Local Transportation	10,816	32,937	3,953	64,484	28,471
Training, Conferences, and Major Trips	9,021	3,310	533	11,912	25,629
Specific Assistance to Individuals	39,119	74,922	677	821,478	37,453
Membership Dues	4,076	1,089	67	1,813	3,668
Equipment Rental, Repairs, and Maintenance	308	1,003	62	1,282	8,442
Costs of Direct Benefits to Donors	-	-	-	-	-
Miscellaneous	35,790	36,371	131	32,447	67,241
Total Functional Expenses, Before Depreciation	<u>1,885,693</u>	<u>1,607,870</u>	<u>78,755</u>	<u>2,776,629</u>	<u>3,996,773</u>
Depreciation	6,369	22,653	1,395	28,951	175,416
Total Functional Expenses	<u>1,892,062</u>	<u>1,630,523</u>	<u>80,150</u>	<u>2,805,580</u>	<u>4,172,189</u>
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	268,381	231,283	11,369	397,960	591,806
ALLOCATION OF DEVELOPMENT EXPENSES	<u>160,096</u>	<u>137,966</u>	<u>6,782</u>	<u>237,393</u>	<u>353,028</u>
Total Program Services and Supporting Services Expenses	<u>\$ 2,320,539</u>	<u>\$ 1,999,772</u>	<u>\$ 98,301</u>	<u>\$ 3,440,933</u>	<u>\$ 5,117,023</u>
DIRECTLY RELATED PROGRAM SERVICES REVENUES					
Fees and Grants from Government Agencies:					
Illinois Department of Children and Family Services	\$ 359	\$ 1,614,439	\$ 56,765	\$ 2,808,564	\$ 3,518,810
Illinois Department of Human Services	108,000	-	-	-	-
Illinois Department of Healthcare and Family Services	-	-	-	-	447,509
Other Government Agencies	9,956	-	-	-	106,768
Other	20,795	-	-	-	-
Program Service Fees and Grants	1,624,439	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	-	25,002
Total Directly Related Program Services Revenues	<u>\$ 1,763,549</u>	<u>\$ 1,614,439</u>	<u>\$ 56,765</u>	<u>\$ 2,808,564</u>	<u>\$ 4,098,089</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, 2023**

	Program Services (Continued)		Supporting Services			Total
	All Other	Subtotal	Management and General	Development	Subtotal	
FUNCTIONAL EXPENSES						
Salaries	\$ 46,975	\$ 6,173,661	\$ 1,035,284	\$ 418,378	\$ 1,453,662	\$ 7,627,323
Employee Benefits	2,623	739,961	112,149	49,807	161,956	901,917
Payroll Taxes	4,424	591,366	99,154	40,101	139,255	730,621
Total Salaries and Related Expenses	54,022	7,504,988	1,246,587	508,286	1,754,873	9,259,861
Professional Fees and Contract						
Service Payments	14,334	485,833	99,962	89,331	189,293	675,126
Supplies	5,183	430,074	12,010	3,791	15,801	445,875
Telephone and Telegraph	460	73,960	6,915	3,114	10,029	83,989
Postage and Shipping	37	1,952	603	8,983	9,586	11,538
Occupancy	6,614	503,158	96,243	47,858	144,101	647,259
Printing and Reference Material	286	68,186	5,826	38,302	44,128	112,314
Local Transportation	-	140,661	3,376	4,874	8,250	148,911
Training, Conferences, and Major Trips	1,140	51,545	14,584	4,965	19,549	71,094
Specific Assistance to Individuals	42,525	1,016,174	-	121	121	1,016,295
Membership Dues	-	10,713	2,176	-	2,176	12,889
Equipment Rental, Repairs, and Maintenance	53	11,150	914	359	1,273	12,423
Costs of Direct Benefits to Donors	-	-	11	156,879	156,890	156,890
Miscellaneous	1,993	173,973	11,292	31,903	43,195	217,168
Total Functional Expenses, Before Depreciation	126,647	10,472,367	1,500,499	898,766	2,399,265	12,871,632
Depreciation	1,080	235,864	18,418	7,305	25,723	261,587
Total Functional Expenses	127,727	10,708,231	\$ 1,518,917	\$ 906,071	\$ 2,424,988	\$ 13,133,219
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES	18,118	1,518,917				
ALLOCATION OF DEVELOPMENT EXPENSES	10,806	906,071				
Total Program Services and Supporting Services Expenses	\$ 156,651	\$ 13,133,219				
DIRECTLY RELATED PROGRAM SERVICES REVENUES						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 7,998,937				
Illinois Department of Human Services	-	108,000				
Illinois Department of Healthcare and Family Services	-	447,509				
Other Government Agencies	1,943	118,667				
Other	-	20,795				
Program Service Fees and Grants	-	1,624,439				
United Way of Metropolitan Chicago	-	25,002				
Total Directly Related Program Services Revenues	\$ 1,943	\$ 10,343,349				

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**

FUNCTIONAL EXPENSES	Program Services						
						Hephzibah Home	
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Diagnostic Treatment Center	Residence	
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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (25,221)	\$ (465,734)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	261,587	214,224
Amortization of Finance Lease	39,480	-
Noncash Lease Expense	36,583	-
Bad Debt Expense	21,398	13,261
Unrealized (Gain) Loss on Investments	(226,713)	678,420
Realized Gain on Investments	(16,374)	(72,528)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	(105,200)	434,520
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(669,545)	(232,959)
Pledge Receivable	43,204	23,648
Bequest Receivable	(25,000)	-
Prepaid Expenses and Other Assets	14,711	5,864
Accounts Payable and Due to Agencies	108,357	(311,606)
Accrued Salaries and Wages	(250,336)	(105,135)
Accrued Payroll Taxes	(16,917)	(9,521)
Deferred Revenue and Rent	5,006	70,879
Net Cash Provided (Used) by Operating Activities	(804,980)	243,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(467,686)	(719,944)
Payment on Finance Lease	(39,812)	-
Purchases of Short-Term Investments	(82,175)	(321,478)
Proceeds from Sale of Investments	-	244,173
Net Cash Used by Investing Activities	(589,673)	(797,249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	-	(15,188)
Net Cash Used by Financing Activities	-	(15,188)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,394,653)	(569,104)
Cash and Cash Equivalents - Beginning of Year	2,012,931	2,582,035
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 618,278	\$ 2,012,931
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 2,428	\$ 7,027

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 (IRS) 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.

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, 2023 and 2022, the allowance for doubtful accounts is \$72,093.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 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, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022, the Association received \$230,607 and \$136,862 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.

Leases

The Association leases office space and other equipment. The Association determines if an arrangement is a lease at inception. Operating and Financing leases are included in right-of-use (ROU) assets on the statements of financial position.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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 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 expense for lease payments 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 as expense as incurred and these leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

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

Use of Estimates

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

Income Taxes

The Association is a tax-exempt organization as defined by Section 501(c)(3) of the 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, 2023 and 2022. 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, 2023 and 2022.

Adoption of New Accounting Standard

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. Topic 842 increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

Leases (Continued)

The Association has adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this lease standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the standard in effect during that period. Lease disclosure for the year ending June 30, 2022, are made under prior lease guidance FASB *Accounting Standards Codification (ASC) 840*.

The Association has elected to adopt the package of practical expedients available in the year of adoption. The Association has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Association's ROU assets.

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 \$1.5M. 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 statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 618,278	\$ 2,012,931
Accounts Receivable, Net	2,156,333	1,508,186
Pledge Receivable Due Within One Year	205,000	248,204
Bequest Receivable Due Within One Year	25,000	-
Investments	<u>3,806,167</u>	<u>3,480,905</u>
Total	6,810,778	7,250,226
Less:		
Amounts Restricted to Specific Programs or Activities	(262,891)	(439,750)
Amounts Set Aside for Mid to Long-Term Investing	<u>(3,806,167)</u>	<u>(3,480,905)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,741,720</u>	<u>\$ 3,329,571</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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Illinois Department of Children and Family Services	\$ 2,104,906	\$ 1,347,060
Illinois Department of Human Services	66,598	45,873
Parent Fees	26,554	33,185
Other	30,368	154,161
Total	<u>2,228,426</u>	<u>1,580,279</u>
Allowance for Doubtful Accounts	<u>(72,093)</u>	<u>(72,093)</u>
Total	<u><u>\$ 2,156,333</u></u>	<u><u>\$ 1,508,186</u></u>

Conditional promises to give at June 30, 2023 and 2022 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, 2023 and 2022.

NOTE 4 PLEDGE RECEIVABLES

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	<u>\$ 205,000</u>
Total Pledges Receivable	<u><u>\$ 205,000</u></u>

All pledges are expected to be collected in the next year ended June 30, 2024.

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land and Improvements	\$ 167,239	\$ 167,239
Buildings and Improvements	4,056,330	3,780,093
Furniture and Equipment	764,749	985,479
Telecommunications Equipment	210,999	218,987
Playground Equipment	111,012	298,014
Computer Equipment	452,977	510,759
Website Development	41,668	41,668
Vehicles	153,582	153,582
Construction in Progress	24,429	-
Total	<u>5,982,985</u>	<u>6,155,821</u>
Accumulated Depreciation	<u>(3,464,987)</u>	<u>(3,843,922)</u>
Total	<u><u>\$ 2,517,998</u></u>	<u><u>\$ 2,311,899</u></u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 INVESTMENTS

A summary of investments at June 30 is as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Moderate Growth Mutual Fund	\$ 4,080,503	\$ 3,806,167	\$ 3,981,955	\$ 3,480,905
Total	<u>\$ 4,080,503</u>	<u>\$ 3,806,167</u>	<u>\$ 3,981,955</u>	<u>\$ 3,480,905</u>

NOTE 7 FAIR VALUE MEASUREMENTS

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

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

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

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

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

Fair values of assets and liabilities measured on a recurring basis at June 30, 2023 and 2022 are as follows:

<u>Description</u>	2023			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	\$ 3,806,167	\$ -	\$ -	\$ 3,806,167
Total Investments	3,806,167	-	-	3,806,167
Beneficial Interest in Hepzibah Children's Trust	-	-	2,476,457	2,476,457
Total	<u>\$ 3,806,167</u>	<u>\$ -</u>	<u>\$ 2,476,457</u>	<u>\$ 6,282,624</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Description	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>

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 Hephzibah Children's Trust
Fair Value - June 30, 2021	\$ 2,805,777
Change in Value of Trust	<u>(434,520)</u>
Fair Value - June 30, 2022	2,371,257
Change in Value of Trust	<u>105,200</u>
Fair Value - June 30, 2023	<u>\$ 2,476,457</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, 2023 and 2022, the Trust contributed \$60,000 and \$75,000, respectively, to the Association. At June 30, 2023 \$5,760 was a prepaid asset by the Trust to the Association. At June 30, 2022, \$112,472, was payable by the Trust to the Association.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

The Association's net assets with donor restrictions at June 30, 2023 and 2022 total \$2,969,348 and \$3,059,211, respectively, which is restricted for the following programs or time:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Sibling Camp	\$ 2,700	\$ 22,500
Education	10,000	10,000
Program Activities	48,125	50,103
Program Equipment/Capital Improvements	108,161	283,243
Therapy and Clinical Advocacy	93,905	73,904
Total	<u>262,891</u>	<u>439,750</u>
Subject to the Passage of Time:		
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditure Until Due Bequest	205,000	248,204
Beneficial Interest in Hephzibah Children's Trust	2,476,457	2,371,257
Subtotal	<u>2,706,457</u>	<u>2,619,461</u>
 Total	 <u><u>\$ 2,969,348</u></u>	 <u><u>\$ 3,059,211</u></u>

In fiscal year 2023 and 2022, \$414,519 and \$595,762, respectively, were released from restrictions as follows:

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions	\$ 4,500	\$ -
Satisfaction of Purpose Restrictions:		
Training	-	2,074
Sibling Camp	22,500	-
Education	10,000	5,000
Program Activities	25,563	77,305
Program Equipment	351,956	500,383
Foster Care Program Shortfall	-	11,000
Total	<u>\$ 414,519</u>	<u>\$ 595,762</u>

NOTE 10 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>2023</u>	<u>2022</u>
Revenue Recognized Over Time:		
Program Service Fees and Grants	<u>\$ 1,624,439</u>	<u>\$ 1,142,736</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 CONTRACT ASSETS AND LIABILITIES

The Association's contract liabilities consist of:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Deferred Revenue - Parent Fees	<u>\$ 121,050</u>	<u>\$ 111,975</u>	<u>\$ 26,933</u>

The Association recognized \$111,975 and \$26,933 as revenue that was previously included in contract liabilities during the years ended June 30, 2023 and 2022, respectively. The Association had no contract assets as of June 30, 2023 and 2022.

NOTE 12 CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Auction Items and Raffle Donations	\$ 57,540	\$ 45,548
Resale - Infant & Toddlers	30,546	-
Public Relations	2,488	-
Supplies	59,827	82,064
Supplies for Families	74,401	9,250
Contributed Services	5,805	-
Total Contributed Nonfinancial Assets	<u>\$ 230,607</u>	<u>\$ 136,862</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.

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. Contributed auction items are valued at their estimated fair value upon receipt.

Resale – Infant & Toddlers - Children's donated clothing and gear as well as maternity clothes were valued at their estimated fair value and sold at the Hephzibah resale 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 were valued at their estimated fair value and utilized for appreciation programs.

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

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

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 12 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

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 received contributed services in the amount of \$5,805 during the year ended June 30, 2023, and \$-0- during the year ended June 30, 2022. 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.

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, 2023 and 2022, the Association contributed \$381,781 and \$339,207, respectively, to the plan. For fiscal years 2023 and 2022, the Association contributed 5% of gross salaries, respectively, of which \$242,530 and \$211,103, respectively, constituted the 401(k) match. The balance of the contribution to the plan was made at the discretion of the Association. The benefit contribution is included in employee benefits on the statements of functional expenses and directly related program services revenues.

NOTE 14 LEASES

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a lease expiring in September 2022. 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 lease agreements which expire in at various dates between 2024 and 2030.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 LEASES (CONTINUED)

The following tables provide quantitative information concerning the Association's leases for the year ended June 30, 2023:

Lease Cost:

Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 39,480
Interest on Lease Liabilities	2,428
Operating Lease Cost	419,321
Total Lease Cost	<u>\$ 461,229</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:

Operating Cash Flows from Operating Leases	\$ 341,660
Operating Cash Flows from Financing Leases	2,428
Financing Cash Flows from Financing Leases	39,812

Right-of-Use Assets Obtained in Exchange for New

Lease Liabilities:

Operating	3,063,794
Financing	-

Weighted-Average Remaining Lease Term:

Financing Lease	1.7 Years
Operating Lease	7.3 Years

Weighted-Average Discount Rate:

Financing Lease	2.85%
Operating Lease	2.88%

A maturity analysis of annual undiscounted cash flows for the Association's operating and finance lease liabilities as of June 30, 2023, is as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>	<u>Total</u>
2024	\$ 392,031	\$ 42,240	\$ 434,271
2025	403,792	22,590	426,382
2026	415,906	3,874	419,780
2027	428,383	-	428,383
2028	441,235	-	441,235
Thereafter	1,040,462	-	1,040,462
Total Undiscounted Cash Flows	<u>3,121,809</u>	<u>68,704</u>	<u>3,190,513</u>
Less: Imputed Interest	<u>(311,045)</u>	<u>(1,641)</u>	<u>(312,686)</u>
Total Present Value	<u>\$ 2,810,764</u>	<u>\$ 67,063</u>	<u>\$ 2,877,827</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 LEASES (CONTINUED)

	Operating Leases	Financing Leases	Total
Short-Term Lease Liabilities	\$ 316,142	\$ 40,961	\$ 357,103
Long-Term Lease Liabilities	2,494,622	26,102	2,520,724
Total	<u>\$ 2,810,764</u>	<u>\$ 67,063</u>	<u>\$ 2,877,827</u>

NOTE 15 OBLIGATIONS UNDER CAPITAL LEASES (ASC 840)

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, the accumulated depreciation of office equipment under capital leases was \$32,511.

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	58,491
Less: 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 16 LEASES (ASC 840)

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.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 16 LEASES (ASC 840) (CONTINUED)

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 year 2022 was \$305,343.

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, 2023 and 2022, the value of the Association's interest in the Trust was \$2,476,457 and \$2,371,257, 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, 2023 and 2022.

NOTE 18 CASH FLOW DISCLOSURES

There was no noncash investing and financing transactions for the year ended June 30, 2023. For the year ended June 30, 2022, noncash investing and financing transactions included \$10,232 of equipment acquired under a capital lease arrangement.

**HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

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 66% and 76% of total support and revenues during the years ended June 30, 2023 and 2022, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 61% and 67% of total support and revenues in the years ended June 30, 2023 and 2022, 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 94% and 86% of the total outstanding accounts receivable balance as of June 30, 2023 and 2022, 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, 2023 and 2022, the Association's uninsured cash balances totaled \$407,332 and \$1,291,791, respectively.

NOTE 21 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 20, 2024, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to February 20, 2024 that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, 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, 2023.

HEPHZIBAH CHILDREN'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 21 SUBSEQUENT EVENTS (CONTINUED)

Subsequent to year-end, the Association applied for the Employee Retention Credit (ERC) grant funding from the IRS. Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Association applied for \$1,808,577 of refundable credits. Eligibility and conditions of the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty. Management is of the opinion that any audit will not have a material adverse impact on the Association's financial position.



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