SOS CHILDREN'S VILLAGES ILLINOIS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
SOS Children's Villages Illinois, Inc.
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of SOS Children's Villages Illinois, Inc., (the Organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Board of Directors
SOS Children's Villages Illinois, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Accounting Guidance for Contributions Received and Made,* for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
July 30, 2020

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 7,033,868	$ 3,507,286
Investments	1,158,690	1,865,327
Service Fees Receivable	281,282	771,735
Contributions Receivable, Net	834,250	911,748
Other Receivables, Net	54,215	61,381
Prepaid Expenses and Other Assets	22,987	28,839
Total Current Assets	9,385,292	7,146,316
PROPERTY AND EQUIPMENT		
Land and Improvements	6,509,283	6,509,283
Buildings and Improvements	25,688,963	25,629,609
Furniture and Equipment	3,333,878	3,281,831
Vehicles	1,627,401	1,169,915
Leasehold Improvements	165,000	-
Constructions in Process	1,413,359	287,571
Total	38,737,884	36,878,209
Less: Accumulated Depreciation	16,368,314	15,338,020
Property and Equipment, Net	22,369,570	21,540,189
OTHER ASSETS		
Cash and Cash Equivalents – Designated by Board	123,154	183,948
Investments – Designated by Board	3,200,653	4,682,702
Contributions Receivable, Net, Long-Term Portion	623,000	533,102
Note Receivable, Including Accrued Interest	3,312,602	3,216,222
Investments Held for Deferred Compensation Plan	109,483	57,179
Deposits	218,895	222,761
Total Other Assets	7,587,787	8,895,914
Total Assets	$ 39,342,649	$ 37,582,419

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 499,748	$ 499,748
Current Portion of Forgivable Loan	9,706	9,706
Current Portion of Capital Leases	119,278	-
Accounts Payable	173,673	320,564
Deferred Rent Obligation and Lease Incentive	19,604	-
Government and Service Contracts Advance	701,963	698,627
Accrued Expenses and Other Liabilities	314,667	335,355
Total Current Liabilities	1,838,639	1,864,000
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion and Bond Issuance Costs	11,742,039	12,241,787
Long-Term Forgivable Loan, Net of Current Portion	249,118	258,824
Long Term Capital Leases, Net of Current Portion	429,549	-
Deferred Rent Obligation and Lease Incentive, Net of Current Portion	148,845	-
Deferred Compensation Plan	109,483	57,179
Obligation Under Interest Rate Swap	231,044	224,031
Total Long-Term Liabilities	12,910,078	12,781,821
Total Liabilities	14,748,717	14,645,821
NET ASSETS		
Without Donor Restrictions	19,825,867	19,048,538
With Donor Restrictions	4,768,065	3,888,060
Total Net Assets	24,593,932	22,936,598
Total Liabilities and Net Assets	$ 39,342,649	$ 37,582,419

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
NET REVENUE			
Government and Service Contracts Illinois Department of Children and Family Services (DCFS)	$ 9,979,313	$ -	$ 9,979,313
Contributions	408,907	1,329,156	1,738,063
Special Events Revenue (including contributions of $581,754)	808,946	-	808,946
In-Kind Donations	9,706	-	9,706
Interest and Dividend Income	229,542	-	229,542
Investment Gain, Net	669,872	-	669,872
Other Income	203,296	-	203,296
Net Assets Released from Restriction	449,151	(449,151)	-
Total Net Revenue	12,758,733	880,005	13,638,738
EXPENSES			
Program Services	9,829,352	-	9,829,352
Management and General	1,406,642	-	1,406,642
Fundraising	738,397	-	738,397
Total Expenses	11,974,391	-	11,974,391
CHANGE IN NET ASSETS BEFORE OTHER EXPENSE	784,342	880,005	1,664,347
OTHER INCOME (LOSS)			
Change in Fair Value of Interest Rate Swap	(7,013)	-	(7,013)
CHANGE IN NET ASSETS	777,329	880,005	1,657,334
Net Assets – Beginning of Year	19,048,538	3,888,060	22,936,598
NET ASSETS – END OF YEAR	$ 19,825,867	$ 4,768,065	$ 24,593,932

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
NET REVENUE			
Government and Service Contracts Illinois Department of Children and Family Services (DCFS)	$ 9,453,870	$ -	$ 9,453,870
Contributions	3,726,591	2,308,580	6,035,171
Special Events Revenue (including contributions of $548,329)	762,645	-	762,645
In-Kind Donations	9,706	-	9,706
Interest and Dividend Income	260,539	-	260,539
Investment Loss, Net	(602,425)	-	(602,425)
Other Income	46,576	-	46,576
Net Assets Released from Restriction	388,252	(388,252)	-
Total Net Revenue	14,045,754	1,920,328	15,966,082
EXPENSES			
Program Services	9,885,268	-	9,885,268
Management and General	1,424,027	-	1,424,027
Fundraising	827,880	-	827,880
Total Expenses	12,137,174	-	12,137,174
CHANGE IN NET ASSETS BEFORE OTHER INCOME	1,908,580	1,920,328	3,828,908
OTHER INCOME			
Change in Fair Value of Interest Rate Swap	232,902	-	232,902
CHANGE IN NET ASSETS	2,141,482	1,920,328	4,061,810
Net Assets – Beginning of Year	16,907,056	1,967,732	18,874,788
NET ASSETS – END OF YEAR	$ 19,048,538	$ 3,888,060	$ 22,936,598

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Sibling Program	FAC Program	Total Program Services	Management and General	Fundraising	Total
SALARIES AND RELATED EXPENSES						
Salaries	$ 3,926,434	$ 155,678	$ 4,082,112	$ 586,353	$ 226,833	$ 4,895,298
Fringe Benefits	1,146,642	45,561	1,192,203	193,614	67,052	1,452,869
Total Salaries and Related Expenses	5,073,076	201,239	5,274,315	779,967	293,885	6,348,167
OTHER EXPENSES						
Contract Personnel	113,366	-	113,366	20,471	2,360	136,197
Professional Services	166,541	6,599	173,140	186,268	9,722	369,130
Staff Recruitment	79,300	5,923	85,222	59,742	4,465	149,429
Home Office	704,886	159	705,045	-	-	705,045
Program Expense/Supplies	442,590	446	443,037	-	-	443,037
Vehicles	271,351	5,035	276,386	10,590	1,331	288,307
Utilities	234,865	9,156	244,021	2,553	-	246,574
Building and Grounds	409,465	11,788	421,252	40,992	84,909	547,153
Insurance	95,009	1,762	96,771	24,958	11,639	133,368
Other Office Expenses	350,165	28,817	378,982	162,147	28,202	569,331
Development Expense	-	-	-	3,291	31,668	34,959
Special Event Expense	-	-	-	-	239,157	239,157
In-Kind Expense	-	-	-	1,209	-	1,209
Miscellaneous	-	-	-	43,019	14,258	57,277
Interest Expense	523,860	-	523,860	16,159	-	540,019
Total Other Expenses	3,391,398	69,685	3,461,083	571,399	427,711	4,460,193
Total Expenses Before Depreciation	8,464,474	270,924	8,735,398	1,351,366	721,596	10,808,360
DEPRECIATION	1,080,252	13,702	1,093,954	55,276	16,801	1,166,031
Total Functional Expenses	$ 9,544,726	$ 284,626	$ 9,829,352	$ 1,406,642	$ 738,397	$ 11,974,391

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Sibling Program	FAC Program	Juvenile Justice Program	Total Program Services	Management and General	Fundraising	Total
SALARIES AND RELATED EXPENSES							
Salaries	$ 4,104,539	$ 147,970	$ 48,321	$ 4,300,830	$ 579,137	$ 222,112	$ 5,102,079
Fringe Benefits	1,151,458	42,783	12,615	1,206,856	163,035	62,591	1,432,482
Total Salaries and Related Expenses	5,255,997	190,753	60,936	5,507,686	742,172	284,704	6,534,562
OTHER EXPENSES							
Contract Personnel	54,500	-	-	54,500	625	1,663	56,788
Professional Services	158,956	6,865	1,202	167,023	117,615	7,287	291,925
Staff Recruitment	74,327	5,721	1,168	81,216	47,244	8,495	136,955
Home Office	667,318	545	-	667,863	18	-	667,881
Program Expense/Supplies	464,203	1,902	202	466,306	-	-	466,306
Vehicles	252,807	4,532	-	257,340	4,125	975	262,439
Utilities	220,007	9,760	-	229,767	3,148	-	232,915
Building and Grounds	309,208	15,574	-	324,782	57,797	10,932	393,511
Insurance	101,130	2,007	-	103,136	8,465	1,364	112,966
Other Office Expenses	353,969	36,741	238	390,947	202,799	22,453	616,199
Development Expense	-	54	-	54	6,925	24,710	31,690
Special Event Expense	-	-	-	-	-	254,248	254,248
In-Kind Expense	-	-	-	-	1,209	-	1,209
Fundraising Expenses	-	-	-	-	-	183,257	183,257
Miscellaneous	-	-	-	-	154,923	20,365	175,288
Interest Expense	539,486	-	-	539,486	16,685	-	556,171
Total Other Expenses	3,195,912	83,702	2,809	3,282,422	621,578	535,749	4,439,749
Total Expenses Before Depreciation	8,451,909	274,455	63,745	8,790,108	1,363,750	820,453	10,974,311
DEPRECIATION	1,086,620	8,540	-	1,095,160	60,277	7,427	1,162,863
Total Functional Expenses	$ 9,538,529	$ 282,995	$ 63,745	$ 9,885,268	$ 1,424,027	$ 827,880	$ 12,137,174

See accompanying Notes to Financial Statements.

SOS CHILDREN'S VILLAGES ILLINOIS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,657,334	$ 4,061,810
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,166,031	1,162,863
Amortization of Debt Issuance Costs	12,012	12,012
Change in Obligation Under Interest Rate Swap	7,013	(232,902)
Change in Value of Forgivable Loan	(9,706)	(9,706)
Provision for Bad Debts	35,000	3,000
Unrealized (Gain) Loss on Investments	(447,730)	958,651
Realized Gain on Investments	(246,320)	(399,832)
(Gain) Loss on Property and Equipment	(11,950)	111,373
Effects of Changes in Operating Assets and Liabilities:		
Receivables	353,839	(4,596,370)
Prepaid Expenses and Other Assets	5,852	14,738
Deposits	3,866	(9,113)
Accounts Payable	(146,891)	110,762
Deferred Rent Obligation and Lease Incentive	3,449	-
Government and Service Contracts Advance	3,336	(2,916)
Accrued Expenses and Other Liabilities	(20,688)	(8,086)
Net Cash Provided by Operating Activities	2,364,447	1,182,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,239,732)	(223,618)
Purchase of Investments	(18,352,039)	(4,723,239)
Proceeds from Sale of Investments	21,234,775	4,551,604
Net Cash Provided (Used) by Investing Activities	1,643,004	(395,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(511,760)	(511,760)
Payments on Capital Leases	(29,903)	-
Net Cash Used by Operating Activities	(541,663)	(511,760)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,465,788	275,103
Cash and Cash Equivalents – Beginning of Year	3,691,234	3,416,131
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 7,157,022	$ 3,691,234
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
As Presented on the Statement of Financial Position:		
Cash and Cash Equivalents	$ 7,033,868	$ 3,507,286
Cash and Cash Equivalents – Designated by Board	123,154	183,948
Total	$ 7,157,022	$ 3,691,234

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF ACTIVITIES

SOS Children's Villages Illinois, Inc. (the Organization) is a nonprofit corporation incorporated in the state of Illinois on November 3, 1988. The Organization has four sites: three Villages that provide sibling foster care and one that offers preventive services. The Lockport Village was the first Village in Illinois and was formed to provide foster care for children. Lockport Village was completed in January of 1994 and consists of 18 single-family homes, along with a community/activity center and administrative offices. Children reside in each of the homes under the guidance of a full-time trained and certified Organization foster parent.

On August 26, 2004, the Organization opened its first Urban Foster Care Village (Chicago Village). The Chicago Village consists of 15 single-family homes and four duplexes, which house foster children and professional foster parents. Chicago Village also includes 24 homes for moderate-income families through the Chicago Department of Housing's New Homes for Chicago. The centerpiece of the Chicago Village is a community center that includes day care, an infant and toddler program, an outpatient therapy center, meeting rooms, and administrative offices, which opened on September 5, 2007. The community center is open to the entire Auburn-Gresham community.

On December 30, 2011, the Organization acquired Casa Tepeyac, a facility that offers preventative and in-home services in the Back of the Yards neighborhood of Chicago. Programs offered at Casa Tepeyac are aimed at strengthening families and offering individualized intervention for youth coming out of the juvenile justice system.

On October 31, 2014, the Organization opened its second Urban Foster Care Village, Roosevelt Square Village, located in the Near West Side, Little Italy, and University Village neighborhoods. Roosevelt Square Village consists of 14 duplex homes. The Roosevelt Square Village homes were made possible through funding and collaboration with the City of Chicago, the Chicago Housing Authority, and a bond placement with Wintrust Bank. Temporary administrative offices are located near the Village and provide comprehensive wrap-around services to the children and families.

The Organization has been established and operated in accordance with the rules and regulations and criteria established by the SOS Kinderdorf International, a related party, which is headquartered in Innsbruck, Austria, to the extent there is no conflict with any applicable federal or state laws or regulations.

The Organization's program services are as follows:

Sibling Program – The Organization builds families by providing stable homes in a supportive community environment, designed to help children in need to grow into caring, productive, and self-reliant adults. The Organization strives to be the premier foster care agency in Illinois by putting the needs of children first, working closely with parents, staff, and the community to deliver nurturing, innovative, and quality services.

NOTE 1 NATURE OF ACTIVITIES (CONTINUED)

Sibling Program (Continued) – Each child in the Organization's care lives with a full-time SOS parent, and siblings live side-by-side under one roof. One of the Organization's primary goals is to reunite siblings previously separated and keep them together whenever possible. The Organization welcomes traumatized children and works to help them make the transition into self-reliant, productive adults, all while receiving the support of their biological brothers and sisters. The Organization's model also provides caseworkers, therapists, and other supportive services on site, which improves the ability to help the children. The village concept creates a community environment, which ultimately provides much-needed roots for the foster children and helps stabilize their environment.

The Organization offers a wide range of program activities and initiatives in conjunction with its foster care program, including tutoring, mentoring, recreational, and social opportunities, as well as program activities for adolescent parents and transitional living services.

FAC Program – Casa Tepeyac offers preventive and in-home family services. The team works to teach prevention in the home, ensure the well-being and safety of the children, as well as guide youth and families in strengthening their bonds. Additionally, offered at the facility are lectures, workshops, as well as individualized intervention for youth coming out of the juvenile justice system. These intervention services support families to help all parties adjust as youth re-enter home environments and stabilize placement to reduce the risk of recidivism.

In-Home Family Services help families build on their strengths, tackle tough problems, and stabilize to help youth deal with issues related to gang involvement or intimidation, delinquency, academics, and relationships. Our staff work in the family home and community to help parents gain effective parenting skills, attain support services, resolve conflict and crisis, deter gang involvement, and improve social, life, coping, and academic skills.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consists of all cash and highly liquid financial instruments with original maturities of three months or less, including money market funds, and which are neither held for nor restricted by donors for long-term purposes. Cash and cash equivalents – designed by board includes funds which had been specifically identified by the Organization's board to establish a long-term reserve.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of common equity securities, U.S. Treasury obligations, U.S. Government agencies investments, and corporate, municipal, and foreign bonds. Investments – designated by board includes funds which had been specifically identified by the Organization's board to establish a long-term reserve. Investments are carried at fair value with unrealized and realized gains and losses on investments reported as increases or decreases in net assets without donor restrictions. Realized and unrealized gains and losses and investment fees are reported as investment income (loss), net in the statements of activities.

Service Fees Receivable

Service fees receivable are uncollateralized obligations primarily from government agencies, which are generally paid within 30 days from the billing date. Service fees receivable are stated at the invoice amount.

The carrying amount of service fees receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The valuation allowance was $14,763 as of December 31, 2019 and 2018.

Note Receivable

The Organization's note receivable is stated at the unpaid principal balance plus accrued interest. It is evaluated for collectability based on the borrower's financial condition and payment history. Provisions for losses on notes receivable are determined on the basis of loss experience and current economic conditions. The carrying amount of the note receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. No provision for loss was considered necessary by management at December 31, 2019 and 2018, as the donor is expected to pay in accordance with the terms of the note agreement. See Note 6.

Property and Equipment

Purchased property and equipment are stated at cost. Property and equipment purchases in excess of $500 per unit are capitalized. Maintenance repairs or minor improvements which neither materially add to the value of the property nor appreciably prolong its life are expensed as incurred. Gains or losses on dispositions of property and equipment are included in the statements of activities. Donated property and equipment are stated at fair market value at the date of the donation. Gifts of cash or other assets that must be used to acquire property and equipment are reported as with donor-restricted support. Absent explicit donor stipulations about how those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Organization depreciates its property and equipment using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings and Building Improvements	10 to 30 Years
Furniture and Equipment	3 to 10 Years
Vehicles	5 Years

Depreciation expense for the years ended December 31, 2019 and 2018 was $1,166,031 and $1,162,863, respectively.

Net Assets

The net assets of the Organization are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations. Net assets without donor restrictions - board-designated consist of net assets designated by the Board of Directors for operating reserve.

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. The Organization has no net assets with perpetual donor restrictions.

Bond Issuance Costs

Bond issuance costs are recorded as a deduction from the respective bonds payable and amortized on a straight-line basis over the term of the respective bond payable, which approximates the effective interest method. See Note 7.

Amortization of the debt issuance costs that has been included in interest expense for the years ended December 31, 2019 and 2018 was $12,012.

Impairment of Long-Lived Assets

The Organization 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 the carrying amount or the fair value less costs to sell.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent Obligation and Lease Incentive

The Organization leases office space under a noncancelable operating lease. A five-month rent abatement valued at $50,600 was included in the lease. Also included in the lease was a buildout to be paid for by the lessor valued at $165,000. A deferred rent obligation and lease incentive was recognized and is reflected in the Statements of Financial Position. The Organization amortizes the deferred rent obligation and the deferred lease incentive using the straight-line method over the eighty-nine month lease term.

Obligation Under Interest Rate Swap

The Organization utilizes an interest rate swap arrangement to manage risks related to interest rate movements on its bonds payable. See Note 7. The interest rate swap contract is reported at fair value in the statements of financial position, and unrealized gains or losses are included in the statements of activities. The Organization’s interest rate risk management strategy is to stabilize cash flow requirements by maintaining the interest rate swap contract to effectively convert variable rate debt to a fixed rate.

Revenue Recognition

The Organization derives its revenues primarily from government and service contracts, contributions, and special events. Recognition of revenue for the Organization’s most significant revenue streams is as follows:

Government and Service Contracts

The Organization receives a significant portion of its operating funds from grants and awards that are exchange transactions. These funds are reported as without donor restricted support as the grants reimburse the Organization for services provided. Government grants received in advance are recorded initially as deferred revenue and are then recognized as revenue as 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 on a contracted rate per day. Government and program service fees are recognized as earned once performance obligations are met for the foster care and in-home family services provided. .

Contributions

Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, without restriction. Contributions received are recorded as with or without donor restricted support depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Special Events

The Organization 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 at the time the event has taken place. Payments received in advance are deferred.

In-Kind Donations

In-kind donations of property, equipment, or materials are recorded as financial support at their estimated fair value at the date of donation. 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 December 31, 2019 and 2018, the Organization received $9,706 of in-kind services.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities, and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are charged to each function based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the programs based on the proportional use of the service provided. Those expenses are administrative costs which include salaries and benefits, professional services, home office, utilities, buildings and grounds, insurance, and depreciation and are allocated on the basis of the time and effort which are estimated based on the time allocations of staff among the programs.

Liquidity

2019

The Organization has $5,217,240 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date. This consists of cash of $7,033,868, receivables of $1,792,747, and short-term investments of $1,158,690. These assets are reduced by those assets subject to donor or contractual restrictions totaling $4,768,065 that make them unavailable for general expenditure within one year of the statement of financial position date.

2018

The Organization had $3,762,519 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date. This consisted of cash of $3,507,286, receivables of $2,277,966 and short-term investments of $1,865,327. These assets are reduced by those assets subject to donor or contractual restrictions totaling $3,888,060 that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

2018 (Continued

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $1,009,000 and $930,000 per month during 2019 and 2018, respectively. As part of its liquidity management, the Organization's management and Finance Committee complete year-end review of cash in excess of operating requirements in various short-term investments including short-term money market accounts.

Measure of Operations

The Organization's change in net assets before other income (loss) on the statements of activities includes all operating revenues and expenses that are an integral part of its program and supporting activities, net assets released from donor restrictions to support operating expenditures and other nonoperating funds to support current operating activities. The measure of operations excludes the change in fair value of its interest rate swap.

Adoption of New Accounting Standard

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2019 using the modified retrospective approach. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Accounting Guidance for Contributions Received and Made

Additionally in June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made.* This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this standard had no impact on the Organization's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code (IRC). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization has adopted the requirements for accounting for uncertain tax positions. The Organization has determined that it is not required to record a liability related to uncertain tax positions for the years ended December 31, 2019 and 2018. The Organization files returns in the U.S. federal jurisdiction and in the state of Illinois.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Recent Accounting Pronouncement

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization’s financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 amounts to conform to the 2019 classifications. These reclassifications did not impact the previously reported change in net assets.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The asset 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. There are no changes in valuation methodologies during the years ended December 31, 2019 and 2018.

Investments

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for Level 2 investments are determined by reference to quoted market transactions for assets similar to those held to support the underlying assets. The Organization does not have Level 3 investments.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Swap

The fair value of the interest rate swap is estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties. The interest rate swap is classified within Level 2 of the valuation hierarchy.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Agencies	$ -	$ 260,650	$ -	$ 260,650
U.S. Treasury Obligations	-	1,079,387	-	1,079,387
Corporate and Foreign Bonds	-	934,570	-	934,570
Municipal Obligations	-	300,388	-	300,388
Common Equity Securities	1,784,348	-	-	1,784,348
Total Investments	1,784,348	2,574,995	-	4,359,343
Investments Held for Deferred Compensation Plan	109,483	-	-	109,483
Total Assets	$ 1,893,831	$ 2,574,995	$ -	$ 4,468,826
Deferred Compensation Plan Liability	$ 109,483	$ -	$ -	$ 109,483
Interest Rate Swap	-	231,044	-	231,044
Total Liabilities	$ 109,483	$ 231,044	$ -	$ 340,527

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Agencies	$ -	$ 342,456	$ -	$ 342,456
U.S. Treasury Obligations	-	594,581	-	594,581
Corporate and Foreign Bonds	-	2,534,077	-	2,534,077
Municipal Obligations	-	421,599	-	421,599
Common Equity Securities	2,655,316	-	-	2,655,316
Total Investments	2,655,316	3,892,713	-	6,548,029
Investments Held for Deferred Compensation Plan	57,179	-	-	57,179
Total Assets	$ 2,712,495	$ 3,892,713	$ -	$ 6,605,208
Deferred Compensation Plan Liability	$ 57,179	$ -	$ -	$ 57,179
Interest Rate Swap	-	224,031	-	224,031
Total Liabilities	$ 57,179	$ 224,031	$ -	$ 281,210

NOTE 4 INVESTMENTS

Investments and investment income consist of the following at, and during the years ended, December 31, 2019 and 2018:

2019	Cost	Market Value	Appreciation (Depreciation)
U.S. Government Agencies	$ 259,331	$ 260,650	$ 1,319
U.S. Treasury Obligations	1,081,044	1,079,387	(1,657)
Corporate and Foreign Bonds	918,927	934,570	15,643
Municipal Obligations	298,192	300,388	2,196
Common Equity Securities	1,594,867	1,784,348	189,481
Total Investments	$ 4,152,361	$ 4,359,343	$ 206,982

2018	Cost	Market Value	Appreciation (Depreciation)
U.S. Government Agencies	$ 343,682	$ 342,456	$ (1,226)
U.S. Treasury Obligations	597,832	594,581	(3,251)
Corporate and Foreign Bonds	2,526,807	2,534,077	7,270
Municipal Obligations	417,701	421,599	3,898
Common Equity Securities	2,830,156	2,655,316	(174,840)
Total Investments	$ 6,716,178	$ 6,548,029	$ (168,149)

	2019	2018
Net Realized Gains	$ 246,320	$ 399,832
Net Unrealized Gains (Losses)	447,730	(958,651)
Investment Fees	(24,178)	(43,606)
Total Investment Income (Loss)	$ 669,872	$ (602,425)

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give and are as follows at December 31:

	2019	2018
Unconditional Promises to Give Receivable in Less than One Year	$ 839,250	$ 916,748
Unconditional Promises to Give Receivable in One to Five Years	613,000	523,102
Unconditional Promises to Give Receivable in Over Five Years	10,000	10,000
Total	1,462,250	1,449,850
Less Allowance for Uncollectible Amounts	5,000	5,000
Net Unconditional Promises to Give	$ 1,457,250	$ 1,444,850

NOTE 6 NOTE RECEIVABLE

In June 2018, the Organization entered into a ground lease agreement with the Chicago Housing Authority (CHA) for the purpose of developing and operating affordable housing units. Under the terms of the agreement, the Organization would pay CHA $1 per year over the 99-year lease term. The Organization recognized a $3,150,000 contribution based on the fair market value of the ground lease as determined by the appraised value of the property. The Organization then immediately assigned the ground lease to an unrelated third party, Taylor Street LA LLC, in acceptance of a $10,000 donation and a note receivable.

At December 31, 2019 and 2018, the unpaid principal balance of the note was $3,160,000 with accrued interest of $152,602 and $56,222, respectively. Interest on the note accrues at 3.05% per annum. Payments on the note commence in 2020 with $5,000 annual payments through 2030 and the remainder due with any unpaid interest on June 30, 2060.

NOTE 7 LONG-TERM DEBT

Long-term debt is summarized as follows:

Description	2019	2018
Mortgage note payable to the Illinois Housing Development Authority (IHDA); non-interest bearing; requires monthly payments of $1,980; final balloon payment due May 1, 2035; secured by property located in Lockport, Illinois and by a security interest in certain personal property.	$ 601,920	$ 625,680
Bond payable to the Illinois Finance Authority with credit issued through Wintrust Bank; $16,000,000 adjustable rate demand revenue bond, Series 2014, issued on April 1, 2014; bond matures March 1, 2044 with Wintrust Bank's put-date on April 16, 2021, which is expected to be extended prior to this date; bond carries interest at a variable rate and requires quarterly payments through the maturity date; bond is secured by an interest in all property; bond includes various covenants, which have been met as of December 31, 2019 and 2018.	11,932,000	12,420,000
Total	12,533,920	13,045,680
Less: Current Portion	499,748	499,748
Less: Bond Issuance Costs	292,133	304,145
Total Long-Term Portion	$ 11,742,039	$ 12,241,787

NOTE 7 LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2020	$ 511,760
2021	511,760
2022	511,760
2023	511,760
2024	511,760
Thereafter	9,975,120
Total Future Maturities	12,533,920
Less: Bond Issuance Costs	292,133
Total Net of Bond Issuance Costs	$ 12,241,787

In conjunction with the bond issuance, the Organization incurred bond issuance costs of approximately $360,000. These costs are amortized over the life of the bond.

NOTE 8 LEASES

The Organization leases office space under a noncancelable operating lease, and vehicles under various capital leases expiring at various dates through 2027. The office lease requires the Organization to pay certain operating costs such as maintenance and insurance. The Organization leases a fleet of 21 vehicles through capital leases. The lease term was effective upon delivery of the vehicles which occurred in the last quarter of 2019. The lease cost per vehicle ranges from $412 to $689 for a term of 60 months.

The Organization also assumed a ground lease agreement through the acquisition discussed in Note 9. The ground lease requires an annual rental payment for the use of the land by the Organization of $10, expiring at August 30, 2036. The Organization has recorded a discounted receivable and contribution for the difference in the fair market lease value of the land and the payments to be made over the life of the lease. The receivable is reported as other receivables, net in the statements of financial position.

Rental expense for the years ended December 31, 2019 and 2018 totaled $151,525 and $99,129, respectively.

NOTE 8 LEASES (CONTINUED)

Future minimum lease payments are as follows:

Year Ending December 31,	Capital Leases	Operating Lease
2020	$ 125,363	$ 121,440
2021	123,965	121,440
2022	122,546	127,402
2023	121,114	129,935
2024	72,159	132,096
Thereafter	-	339,916
Total Minimum Lease Payments	565,147	$ 972,229
Less: Amount Representing Interest	(16,320)	
Total Capital Lease Obligation	$ 548,827	

Leased property under capital leases at December 31 includes the following:

	2019	2018
Vehicles	$ 578,370	$ -
Less: Accumulated Amortization	(32,404)	-
Total	$ 545,966	$ -

NOTE 9 FORGIVABLE LOANS

In December 2011, the Organization acquired certain assets and assumed certain liabilities under a transfer of assets and an assumption of liabilities agreement with Boys Town Chicago, Inc., Father Flanagan's Boys' Home, an independent nonprofit organization. The Organization assumed a ground lease agreement for property with the Catholic Bishop of Chicago that expires on August 30, 2036. See Note 8.

The Organization also received a building situated on the land of the previously noted ground lease and other miscellaneous equipment. The building was recorded at its appraisal value at $330,000 at the closing date in 2011. The building has an attached forgivable loan with the City of Chicago, subject to annual forgiveness, as long as the Organization continues to operate the facility as a respite home for at-risk youth. The forgivable loan is subject to annual forgiveness of approximately $9,700, expiring on August 31, 2046.

NOTE 10 DERIVATIVE FINANCIAL INSTRUMENT

The Organization is exposed to certain risks relating to its ongoing activities. The primary risk managed by using a derivative instrument is interest rate risk. An interest rate swap was entered into to manage interest rate risk associated with the Organization's fixed-rate bond borrowings. To protect the Organization from adverse and unexpected interest rate fluctuations, the Organization entered into an interest rate swap to convert its bond payable, which is based on a variable interest rate, to partially fixed-rate debt.

The initial notional amount of the Organization's swap agreement was $13,000,000 with a fixed interest rate of 2.62% for a period of seven years. The remaining $3,000,000 of the Series 2014 bond has a variable interest rate initially set at 1.80% and is pegged to the London Interbank Offered Rate for a period of seven years.

A summary of the borrowings, swap balance, and related other income is as follows:

	2019	2018
Notional Amount	$ 13,000,000	$ 13,000,000
Negative Value of Swap	231,042	224,031
Income (Loss) from Fair Value Adjustment	(7,013)	232,902

NOTE 11 EMPLOYEE RETIREMENT PLAN

The Organization maintains a defined contribution plan under Section 403(b) of the IRC covering substantially all employees. This plan is available to all full-time employees who have attained the age of 21 and have completed at least one year of service and 1,000 hours of service within the 12-month period. The Organization is obligated to make contributions to the plan at a rate of 4% for all staff of eligible salaries per year. Participants in the plan become fully vested upon completion of five years of service. The Organization funds retirement costs monthly as incurred. Contributions to the plan totaled $160,000 and $134,932 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 DEFERRED COMPENSATION PLAN

During the year ended December 31, 2017, the Organization established a Section 457(b) deferred compensation plan which cover full-time executives. The Organization, in its discretion, may make nonelective contributions to the 457(b) plan on behalf of its plan participants. The Organization awarded $40,927 to and no amounts were forfeited from the 457(b) plan for the year ended December 31, 2019. The Organization awarded $31,345 to and no amounts were forfeited from the 457(b) plan for the year ended December 31, 2018. The deferred compensation plan was fully funded during the year ended December 31, 2019 and 2018. The value of the plan assets was $109,483 and $57,179 for the years ended December 31, 2019 and 2018, respectively, which is included in the statements of financial position as Investments Held for Deferred Compensation Plan along with a corresponding liability to the plan participants of the same amount.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following programs, purposes, and periods as directed by the donors as of December 31:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Amli Family Events	$ 8,374	$ 8,374
Chicago Village Wellness Program	139,478	139,478
College Bound and Beyond	269,755	422,906
Educational Program	127,813	127,813
Graduate Greatness Program	5,207	5,207
Jean Lonsdale Education Fund	12,680	11,180
Lockport Scholarship Fund	425	425
Photo Club	700	700
Private School Education	1	1
Strategic Plan	5,000	5,000
Swiss Garden Project	34,720	23,344
Tennis	2,265	2,265
Subtotal	606,418	746,693
Subject to Expenditure for Specified Purpose and Passage of Time:		
Capital Campaign - Roosevelt Square Community Center	4,161,647	3,141,367
Total Net Assets With Donor Restrictions	$ 4,768,065	$ 3,888,060

NOTE 14 NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2019	2018
Purpose Restrictions Accomplished:		
College Bound and Beyond	$ 443,151	$ 194,748
Swiss Garden Project	6,000	8,241
Subtotal	449,151	202,989
Purpose Restrictions Accomplished and Time Restrictions Expired:		
Capital Campaign	-	185,263
Total	$ 449,151	$ 388,252

NOTE 15 REVENUE

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

	2019	2018
Revenue Recognized Over Time:		
Government and Service Contracts Illinois Department of Children and Family Services (DCFS)	$ 9,979,313	$ 9,453,870
Revenue Recognized at a Point in Time:		
Special Events Revenue (excluding contributions)	227,192	214,316
Total Revenue	$ 10,206,505	$ 9,668,186

NOTE 16 CONTRACT ASSETS AND LIABILITIES

The Organization's contract assets and liabilities consist of:

	2019	2018
Contract Assets:		
Receivables from Government and Service Contracts	$ 281,282	$ 771,735
Receivables from Special Events	19,000	34,000
Total Contract Assets	$ 300,282	$ 805,735
Contract Liabilities:		
Advance Payments Received on Government and Service Contracts	$ 701,963	$ 698,627

NOTE 17 CASH FLOW DISCLOSURES

Cash paid for interest was $540,018 and $556,172 during the years ended December 31, 2019 and 2018, respectively.

For the year ended December 31, 2019, noncash investing and financing transactions included $165,000 of leasehold improvements paid for by the Organization's landlord at their office space. The Organization also acquired $578,730 of vehicles under a capital lease arrangement.

For the year ended December 31, 2018, noncash investing transactions included a ground lease that was transferred at a value of $3,150,000 for a note receivable.

NOTE 18 CONCENTRATIONS

Accounting principles generally accepted in the United States of America requires disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

Concentration of Credit Risk

At times during the years ended December 31, 2019 and 2018, the Organization held cash in excess of federally insured limits.

Concentration of Revenue

Approximately 73% and 58% of total support and revenues in each of the years ended December 31, 2019 and 2018, respectively, were received from the state of Illinois Department of Children and Family Services (IDCFS). Receivables due from IDCFS totaled $281,282 and $716,948 as of December 31, 2019 and 2018, respectively.

For the year ended December 31, 2019, two donors accounted for approximately 28% of total contribution revenue. For the year ended December 31, 2018, two donors accounted for approximately 68% of total contribution revenue.

NOTE 19 COMMITMENTS

During 2013, the Organization received a donation of land from an unrelated organization valued at $1,570,000. The conveyance of the land was for the purpose of the Organization constructing a licensed foster care facility on the land. Construction of the facility has been completed and the final unit was occupied in December 2018. The Organization is now required to continue operating the facility as a provider of foster care services for 15 years through 2033.

NOTE 20 CONTINGENCIES

The Organization is named in various lawsuits arising in the ordinary course of business. The ultimate resolution of these lawsuits, including any related financial effects on the Organization, is currently unknown. The Organization has not provided for any potential future losses arising from the resolution of these matters in the accompanying consolidated financial statements. Despite the inherent uncertainties of litigation, management does not believe that the lawsuits will have a material adverse impact on the financial condition of the Organization at this time.

NOTE 21 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 Organization 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 22 OTHER MATTER

During 2019, the Organization received a ground lease at a cost of $1 per year for ninety-nine years from the Chicago Housing Authority. The title of the property will remain with the Chicago Housing Authority and not pass to the Organization. The Organization will own the building that will be built on the property. The right to the land lease is conditional upon the completion of the construction of the building to be built by March 1, 2021, and the acceptance and approval of the completed property evidenced by a Certificate of Completion to be issued by the Chicago Housing Authority. The construction is expected to be completed fall 2020.

NOTE 23 SUBSEQUENT EVENTS

Management evaluated subsequent events through July 30, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including the receipt of contributions and collections on outstanding accounts receivable. Investment markets have experienced significant fluctuations since December 31, 2019. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events will occur subsequent to year-end and are still developing.

In addition, the CARES Act was signed into law on March 27, 2020. The CARES Act established a Paycheck Protection Program through the U.S. Small Business Administration. The Organization received a $1,208,284 loan through this program. The loan contains a provision that enables the borrower to apply for forgiveness related to eligible costs spent over an eligible period after the loan is funded. Eligible costs relate primarily to payroll, rent, and utility payments. The portion of the loan that is not forgiven is due within two years and bears interest at a rate of 1%.