Lutheran Child and Family Services of Illinois

Financial Report
June 30, 2021

Contents

Independent Auditor's Report

Board of Trustees
Lutheran Child and Family Services of Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Child and Family Services of Illinois (the Agency) which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lutheran Child and Family Services of Illinois' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
July 29, 2022

Lutheran Child and Family Services of Illinois

Consolidated Statement of Financial Position
June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Assets		
Cash and cash equivalents	**$ 4,664,881**	$ 3,798,328
Accounts receivable, net	**4,099,851**	4,945,446
Contributions receivable, net	**292,281**	454,198
Prepaid expenses	**220,337**	200,913
Investments	**8,229,943**	5,536,201
Property and equipment, net	**3,380,844**	3,543,619
Other assets	**153,130**	157,269
Beneficial interest in perpetual trusts	**4,104,558**	3,497,559
	$ 25,145,825	$ 22,133,533
Liabilities and Net Assets		
Accounts payable	**$ 1,158,119**	$ 1,477,436
Accrued expenses	**2,389,781**	2,217,289
Line of credit	**339,404**	677,787
Long-term debt	**2,675,533**	3,117,813
Paycheck Protection Program loan	**-**	2,632,848
Other liabilities	**2,139,603**	570,200
Accrued pension liability	**1,370,685**	4,798,523
	10,073,125	15,491,896
Net assets:		
Without donor restrictions:		
Other	**13,439,505**	8,193,101
Net actuarial pension loss	**(3,041,559)**	(5,794,387)
	10,397,946	2,398,714
With donor restrictions	**4,674,754**	4,242,923
	15,072,700	6,641,637
	$ 25,145,825	$ 22,133,533

See notes to consolidated financial statements.

Lutheran Child and Family Services of Illinois

Consolidated Statement of Activities
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2020 Total
Revenue:				
Contributions	**$ 890,939**	**$ 137,884**	**$ 1,028,823**	$ 918,412
Legacies and bequests	**1,241,172**	**-**	**1,241,172**	1,187,476
Contributions by associated congregations	**63,819**	**-**	**63,819**	57,114
Allocations from federated fundraising organizations—United Way organizations	**71,396**	**-**	**71,396**	122,730
Fees and grants from governmental agencies	**30,583,732**	**-**	**30,583,732**	26,339,919
In-kind contributions	**45,470**	**-**	**45,470**	2,622
Other revenue:				
Program service fees	**1,302,116**	**-**	**1,302,116**	1,221,877
Program grants	**282,825**	**-**	**282,825**	95,419
Income from thrift shops	**368,505**	**-**	**368,505**	320,267
Other income	**176,488**	**-**	**176,488**	182,130
Release of net assets arising from satisfaction of restrictions	**329,406**	**(329,406)**	**-**	-
	35,355,868	**(191,522)**	**35,164,346**	30,447,966
Expenses:				
Program services	**29,537,332**	**-**	**29,537,332**	23,784,421
Supporting services:				
Management and general expenses	**3,402,878**	**-**	**3,402,878**	3,889,907
Fundraising	**667,125**	**-**	**667,125**	736,683
Investment fund	**83,908**	**-**	**83,908**	80,894
	4,153,911	**-**	**4,153,911**	4,707,484
Operating expenses	**33,691,243**	**-**	**33,691,243**	28,491,905
Increase (decrease) in net assets before other changes in net assets	**1,664,625**	**(191,522)**	**1,473,103**	1,956,061

(Continued)

Lutheran Child and Family Services of Illinois

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Other changes in net assets:				
Investment return, net	**$ 816,163**	**$ 16,354**	**$ 832,517**	$ 204,899
Change in value of perpetual trusts	**-**	**606,999**	**606,999**	24,800
Gain on forgiveness of Paycheck Protection Program loan	**2,632,848**	**-**	**2,632,848**	-
Gain on sale of fixed assets	**-**	**-**	**-**	2,090,219
Components of net periodic benefit cost	**132,768**	**-**	**132,768**	21,128
Pension-related changes other than net periodic benefit costs	**2,752,828**	**-**	**2,752,828**	(1,893,866)
	6,334,607	**623,353**	**6,957,960**	447,180
Increase in net assets	**7,999,232**	**431,831**	**8,431,063**	2,403,241
Net assets:				
Beginning of year	**2,398,714**	**4,242,923**	**6,641,637**	4,238,396
End of year	**$ 10,397,946**	**$ 4,674,754**	**$ 15,072,700**	$ 6,641,637

See notes to consolidated financial statements.

Lutheran Child and Family Services of Illinois

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021					
	Core Programs					
	Adoption	Family Counseling	Home–Based	Foster Care	Residential	Total
Functional expenses:						
Salaries	$ 500,226	$ 140,718	$ 621,647	$ 9,591,505	$ 1,095,913	$ 11,950,009
Taxes and benefits	127,586	37,027	157,100	2,428,500	276,591	3,026,804
Salaries, taxes and benefits	627,812	177,745	778,747	12,020,005	1,372,504	14,976,813
Professional fees	27,862	1,369	262,839	396,475	3,600	692,145
Supplies	2,661	144	527	172,758	72,839	248,929
Telephone	15,272	8,060	14,300	349,022	18,554	405,208
Postage and shipping	169	4	12	35,404	727	36,316
Occupancy	43,784	36,723	40,806	510,832	94,013	726,158
Outside printing and artwork	-	-	-	7,820	29	7,849
Local transportation	8,997	1,520	45,998	1,155,509	6,734	1,218,758
Conferences and meetings	-	27	-	5,160	360	5,547
Specific assistance—foster board	11,535	-	53,199	9,055,931	2,362	9,123,027
Membership dues	17,266	-	-	(120)	-	17,146
Equipment rental, repairs and maintenance	3,245	-	-	158,436	1,396	163,077
Insurance	285	501	3,196	176,171	4,052	184,205
Interest	1,926	488	3,364	75,678	4,240	85,696
Depreciation and amortization	-	-	-	31,520	250	31,770
Bad debt	-	-	31,888	53,778	-	85,666
Other	-	-	-	280,006	-	280,006
Total functional expenses	$ 760,814	$ 226,581	$ 1,234,876	$ 24,484,385	$ 1,581,660	$ 28,288,316

See notes to consolidated financial statements.

Supporting			Supporting	Other Program		
Management and General	Fundraising	Total LCFS Operations	Investment Fund	Camp Wartburg	Total	2020 Total
$ 1,781,171	$ 383,190	$ 14,114,370	$ 55,422	$ 546,600	**$ 14,716,392**	$ 13,010,853
101,294	96,479	3,224,577	13,521	140,049	**3,378,147**	2,848,190
1,882,465	479,669	17,338,947	68,943	686,649	**18,094,539**	15,859,043
864,182	90,997	1,647,324	-	29,282	**1,676,606**	1,866,804
70,043	19,202	338,174	-	88,811	**426,985**	677,947
81,022	6,630	492,860	595	19,310	**512,765**	274,155
4,620	3,589	44,525	-	1,195	**45,720**	57,585
270,372	45,549	1,042,079	13,892	137,504	**1,193,475**	1,315,652
17,750	4,584	30,183	-	7,748	**37,931**	121,221
11,061	(92)	1,229,727	-	11,361	**1,241,088**	1,508,115
36,732	12,049	54,328	-	3,933	**58,261**	176,790
1,800	420	9,125,247	-	-	**9,125,247**	5,456,949
46,478	1,200	64,824	-	2,285	**67,109**	34,403
8,433	433	171,943	-	5,443	**177,386**	244,322
10,117	1,285	195,607	18	67,287	**262,912**	220,237
50,065	1,610	137,371	460	10,680	**148,511**	299,263
3,058	-	34,828	-	177,528	**212,356**	166,118
-	-	85,666	-	-	**85,666**	99,994
44,680	-	324,686	-	-	**324,686**	113,307
$ 3,402,878	$ 667,125	$ 32,358,319	$ 83,908	$ 1,249,016	**$ 33,691,243**	$ 28,491,905

Lutheran Child and Family Services of Illinois

Consolidated Statement of Cash Flows
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 8,431,063	$ 2,403,241
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	212,356	166,118
Gain on sale of fixed assets	-	(2,090,219)
Gain on forgiveness of Paycheck Protection Program loan	(2,632,848)	-
Allowance for doubtful accounts	51,907	198,874
Gains on investments	(786,168)	(143,391)
Change in value of perpetual trusts	(606,999)	(24,800)
Components of net periodic benefit cost	(132,768)	(21,128)
Pension-related changes other than net periodic benefit costs	(2,752,828)	1,893,866
Changes in:		
Accounts/contributions receivable	955,605	6,018
Prepaid expenses	(29,299)	(111,841)
Other assets	4,139	216
Accounts payable and accrued expenses	(146,825)	447,827
Other liabilities	1,027,161	45,117
Net cash provided by operating activities	3,594,496	2,769,898
Cash flows from investing activities:		
Purchases of property and equipment	(39,706)	(40,764)
Proceeds from sales of investments	7,876,061	1,070,564
Purchases of investments	(9,783,635)	(2,132,594)
Net cash used in investing activities	(1,947,280)	(1,102,794)
Cash flows from financing activities:		
Payments of long-term debt	(87,980)	(134,478)
Net paydown of line of credit	(692,683)	(658,213)
Proceeds from Paycheck Protection Program loan	-	2,632,848
Net cash (used in) provided by financing activities	(780,663)	1,840,157
Increase in cash and cash equivalents	866,553	3,507,261
Cash and cash equivalents:		
Beginning of year	3,798,328	291,067
End of year	$ 4,664,881	$ 3,798,328
Supplemental disclosure of cash flow information:		
Interest paid	$ 131,285	$ 306,761
Supplemental schedule of noncash investing activities:		
Property sale proceeds used to pay down debt	$ -	$ 3,159,476
Supplemental schedule of noncash financing activities:		
Loan proceeds used to pay down debt	$ 3,054,300	$ -
Forgiveness of Paycheck Protection Program loan	2,632,848	-
	$ 5,687,148	$ -

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Lutheran Child and Family Services of Illinois (the Agency or LCFS) is a nonprofit statewide social service agency whose mission is to attract, develop, mobilize, and provide resources to improve the well-being of children, individuals, families, congregations, and communities so that their lives are improved. Its corporate office is in Oakbrook Terrace, Illinois.

The Agency confronts neglect, abuse, isolation and poverty by providing safe homes for children, fostering self-reliance in families, strengthening connectivity in communities and promoting the dignity of all people. The Agency accomplishes its mission through the following services and programs:

- Children Placement Services, including international and domestic adoption, foster care and licensing, and Regenerations – foster care for incarcerated youth.

- Youth Residential Services and Southern Thirty Adolescent Center.

- Clinical Services, including individual, marital and family counseling, preventive workshops and seminars, crisis counseling, and information and referral services.

- Community Services, including disaster response services, food and clothing distribution, Nice Twice Thrift Stores, and youth camp and retreat center at Camp Wartburg.

A summary of significant accounting policies is summarized below:

Basis of presentation: The consolidated financial statements have been prepared in accordance with accounting principles applicable to nonprofit organizations in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Therefore, the Agency classifies its activities as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions. The consolidated financial statements include the accounts of the following separate entities for which the Agency is the sole member:

- Camp Wartburg in Waterloo, Illinois
- Lutheran Child and Family Services of Illinois Foundation in Oak Brook, Illinois (Investment Fund)

All significant intercompany accounts and transactions are eliminated in consolidation.

Classification of net assets:

Without donor restrictions: Net assets available for support of the Agency's operations that are not subject to donor-imposed restrictions. Net assets without donor restrictions include all resources over which the Board of Trustees has control for use in carrying out the Agency's activities or for such other purposes as the Board may direct.

With donor restrictions: Net assets with donor restrictions include both those that are available for support, with donor-imposed restrictions, that may, or will, be met either by actions of the Agency or the passage of time, as well as those for which the principal must remain intact per donor restriction and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is the Agency's interest in perpetual trusts. When donor restrictions are met or have expired, net assets with donor restrictions are reclassified to net assets without donor restrictions. These reclassifications are reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounting policies: The Agency follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to U.S. GAAP in these footnotes are to the Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Revenue recognition: The majority of funding for the Agency's operations is provided by governmental agencies which represent conditional promises to give. Revenue from government grants is recognized as the related conditions and barriers have been substantially met, generally when services are performed or expenses are incurred, and all other grant requirements have been met. At June 30, 2021, the Agency does not have any unexpended government grants which have not yet been recognized. The Agency has elected the simultaneous release policy for government grants, which allows the organization to recognize restricted conditional contributions directly in net assets without donor restrictions when the condition is met, which is generally when services are performed or qualifying expenditures have been incurred.

The Agency recognizes program service fee revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. Revenue from contracts with clients is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing services. Revenue is recognized as performance obligations are satisfied and is billed monthly to clients. Payments for these services are received after services are provided and are recorded as accounts receivable when billed.

The Agency recognizes donors' unconditional promises to give cash and other assets as revenue in the period the promises are made. Contributions receivable have been recorded for amounts expected to be collected in the future. Donors' promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met.

Donated materials and services: Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. A substantial number of volunteers have donated their time to the Agency's program services and fundraising campaigns, but none of these amounts have been recorded as contributions because the services do not meet the criteria for recognition in the consolidated financial statements.

Agency transactions: The Agency has a contractual relationship with an unrelated organization that performs marketing and advertising services for adoptive families whereby the Agency acts as a fiscal intermediary between this organization and the organization's clients due to a state of Illinois requirement. The Agency considers its relationship with the organization to meet the accounting definition of an agent and, therefore, does not recognize these transactions in the consolidated statement of activities. Funds collected on behalf of the organization and not yet remitted back to the organization are recorded as a liability. At June 30, 2021, the Agency had a balance of $55,406 within other liabilities on the consolidated statement of financial position related to these transactions.

Cash and cash equivalents: The Agency considers all liquid investments with maturities of three months or less at date of acquisition to be cash and cash equivalents, except for certain cash equivalents that are included with investment funds because these amounts are used for investment purposes. The Agency maintains its cash in bank accounts which, at times, may exceed the federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts receivable: Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Agency's historical collection experience.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments are presented in the consolidated financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the consolidated statement of activities net of related investment fees as investment return, net. Investments received as contributions are recorded at fair value at the date of receipt.

The Agency's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect the Agency's consolidated financial statements.

Property and equipment: Property and equipment is recorded at cost. Additions and improvements to existing property over $5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or retired are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time.

Provisions for depreciation of buildings and equipment have been computed using the straight-line method over the estimated useful lives of the assets, as follows:

	Years
Description:	
Buildings	15-40
Building improvements	10-15
Furniture and equipment	3-10
Vehicles	5

The Agency 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. There were no long-lived assets considered impaired during the year ended June 30, 2021. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Other liabilities: Other liabilities at June 30, 2021 include a liability of $1,726,872 for various program surpluses generated in fiscal year 2021. The funder may require that the Agency return some or all of these surpluses.

Functional allocation of expenses: The costs of providing programs and other activities has been presented on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operating expenses directly identified with a functional core program are charged to that program and, where these expenses affect more than one program, they are allocated on the basis of ratios estimated by management. Personnel costs are allocated based on estimates of time and effort. Occupancy costs are allocated based on estimated usage of space. Other administrative costs are allocated according to estimated use of time and resources, which is approximated by total direct costs.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income. For the reporting periods presented in these consolidated financial statements, there were no unrecognized tax benefits identified or recorded as liabilities.

The Agency files Forms 990 in the U.S. federal jurisdiction and the state of Illinois.

Current and pending accounting pronouncements: In 2021, the Agency adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard required an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Agency elected a modified retrospective transition method. The adoption of the standard resulted in minor changes to the note disclosures but did not have a significant impact on the Agency's consolidated financial statements.

In 2021, the Agency adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosure requirements on fair value required by Topic 820. The adoption of the standard resulted in minor changes to the note disclosures but did not have a significant impact on the Agency's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and subsequently issued amendments supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Agency for its fiscal year ending June 30, 2023.

In September 2020, the FASB issued ASU 2020-07, *Not–for–Profit Entities (Topic 958): Presentation and Disclosures by Not–for–Profit Entities for Contributed Nonfinancial Assets*. This ASU requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional qualitative disclosures for contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The new standard will be effective for the Agency for its fiscal year ending June 30, 2022.

The Agency is currently evaluating the effect that the pending updated standards will have on the consolidated financial statements.

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosure through July 29, 2022, the date the consolidated financial statements were available to be issued.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent to year-end effective April 4, 2022, LCFS acquired 360 Youth Services (360) through a transition agreement whereby LCFS controls appointment and removal of the 360 board of directors and officers. The purpose of the transaction was to strengthen and grow the youth and family-centered prevention, counseling, and housing programs provided by 360 to the Naperville, Aurora and surrounding communities. For the short-term, and possibly longer term, 360 will continue to operate as a separate social service non-profit, retaining its name, mission, values, and services, in conjunction with LCFS, and with LCFS providing administrative support. Over time, programs and services being provided by 360 may transfer to LCFS under the 360 name, under the name of LCFS, or under a combined new d/b/a for LCFS.

Note 2. Accounts Receivable

Accounts receivable at June 30, 2021, consisted of:

Due from governmental agencies	$ 5,824,750
Less allowance for doubtful accounts	(1,742,909)
	4,081,841
Other receivables	18,010
	$ 4,099,851

Note 3. Contributions Receivable

Contributions receivable as of June 30, 2021, net of allowance, are $292,281. An allowance for uncollectible contributions has been provided based upon management's analysis of various factors including prior collection history, type of contribution, and nature of fundraising activities. At June 30, 2021, contributions receivable includes multiyear pledges and are included in net assets with donor restrictions as time restricted until the point in time that collections are received from the donor.

Multiyear pledges at June 30, 2021, net of an allowance for doubtful accounts and a discount to present value using rates ranging between 3% and 4%, consist of the following:

Receivable in less than one year	$ 71,738
Receivable in one to five years	286,951
Subtotal	358,689
Less discount to present value	48,473
Less allowance for doubtful accounts	17,935
	$ 292,281

Note 4. Investments

Investments at June 30, 2021, consisted of:

	Cost	Fair Value
Cash equivalents	$ 773,206	$ 773,206
	773,206	773,206
Equity securities:		
U.S. large cap	2,840,414	3,826,500
U.S. mid cap	307,099	343,714
U.S. small cap	12,616	13,459
EAFE equity	447,794	509,882
Global equity	-	130,837
	3,607,923	4,824,392
Fixed-income securities:		
U.S. fixed-income funds	2,574,279	2,632,345
	$ 6,955,408	$ 8,229,943

Note 5. Fair Value Disclosures

Fair value measurements: The Agency follows the accounting guidance on fair value measurements and disclosures, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Note 5. Fair Value Disclosures (Continued)

The following is a description of the valuation methodologies used for instruments at fair value:

Investment securities: U.S. equity securities and fixed income securities classified as Level 1 in the fair value hierarchy are recorded at fair value based on quoted market prices in an active market. Global equity securities are recorded at fair value using the net asset value (NAV) as a practical expedient. Changes in the fair value of securities are recorded as unrealized gains and losses.

Beneficial interest in perpetual trusts and gifts held by LCMS Foundation: The fair value of beneficial interest in trusts and gifts held by LCMS Foundation, which are included in other assets on the consolidated statement of financial position, were provided by the respective trustees. The trustees determine fair value based on readily available pricing sources for market transactions involving identical assets for securities and based on an outside appraisal for farmland.

The table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2021:

	Level 1	Level 3	NAV*	Total
Investments at fair value:				
Equity securities:				
U.S. large cap	$ 3,826,500	$ -	$ -	$ 3,826,500
U.S. mid cap	343,714	-	-	343,714
U.S. small cap	13,459	-	-	13,459
EAFE equity	509,882	-	-	509,882
Global equity	-	-	130,837	130,837
Fixed-income securities:				
U.S. fixed-income funds	2,632,345	-	-	2,632,345
	$ 7,325,900	$ -	$ 130,837	7,456,737
Cash equivalents				773,206
Total investments				$ 8,229,943

	Level 1	Level 3	NAV*	Total
Other assets at fair value:				
Beneficial interest in perpetual trusts	$ -	$ 4,104,558	$ -	$ 4,104,558
Gifts held by LCMS Foundation	-	90,228	-	90,228
	$ -	$ 4,194,786	$ -	$ 4,194,786

*In accordance with ASC 820-10, certain investments measured at fair value using the net asset value (NAV) per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented above are to permit reconciliation of the fair value hierarchy to total investments.

Note 5. Fair Value Disclosures (Continued)

Investment measured at NAV using the practical expedient as of June 30, 2021, consisted of the following:

	Fair value June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equity (1)	$ 130,837	$ -	Daily	None

(1) Represents a blended portfolio that holds both fixed income and equity securities. This portfolio is evenly balanced between fixed income and equity, providing modest income generation and potential for growth.

Note 6. Property and Equipment

Property and equipment at June 30, 2021, consisted of:

Land	$ 657,314
Buildings and improvements	4,336,576
Furniture and equipment	2,143,438
Vehicles	185,417
	7,322,745
Accumulated depreciation	(3,941,901)
	$ 3,380,844

Depreciation and amortization expense in fiscal year 2021 was $212,356.

Note 7. Line of Credit

The Agency had a $3,000,000 operating line of credit (line) with the Mission Investment Fund of The Evangelical Lutheran Church in America, Inc. (Mission Investment Fund). The line with the Mission Investment Fund had a maturity date of May 1, 2021, and was renewable annually. Outstanding borrowings bore interest, payable monthly, at 3.75% per annum. During fiscal year 2021, this line was fully repaid and closed.

In March 2021, the Agency obtained a $3,500,000 line of credit with First Midwest Bank, with a maturity date in March 2024. Outstanding borrowings bear interest, payable monthly, at an annual rate equal to the greater of 3% or London Interbank Offered Rate (LIBOR) plus 2%. The line is secured by certain of the Agency's investments. The Agency had outstanding borrowings of $339,404 on the line at June 30, 2021.

Note 8. Long-Term Debt

The Agency had a term loan, secured by certain of the Agency's buildings, with the Mission Investment Fund, due in May 2041. Payments of principal and interest, at a rate of 3.875%, were due in equal monthly installments of $24,591. This loan was repaid in full during fiscal 2021, using the proceeds of a new term loan from First Midwest Bank.

Note 8. Long-Term Debt (Continued)

In March 2021, the Agency obtained a term loan with First Midwest Bank in the amount of $2,700,000. The proceeds of this loan were used to pay off the term loan with Mission Investment Fund. Payments of principal and interest, at a rate equal to the greater of 3% or one-month LIBOR plus 2%, are due in equal monthly installments of $15,035. This loan is collateralized by certain of the Agency's deposits. The Agency had outstanding borrowings on this loan of $2,675,533 at June 30, 2021.

Future maturities of long-term debt as of June 30, 2021, are as follows for the respective fiscal years:

2022	$ 101,204
2023	104,849
2024	108,030
2025	111,306
2026	2,250,144
	$ 2,675,533

Note 9. Paycheck Protection Program Loan

In April 2020, the Agency applied for and received, a $2,628,465 loan from the Paycheck Protection Program, a U.S. Small Business Administration (SBA) loan program administered through First Midwest Bank, in conjunction with the Coronavirus Aid, Relief, and Economy Security Act (CARES Act). The Agency determined it was eligible for the loan as the COVID-19 pandemic caused financial uncertainty and anticipated decreases in normal cash inflows. The loan accrued interest at 1% and was due to mature on May 1, 2022. Under the terms of the loan program, the full loan or a portion of it was eligible be forgiven if the Agency used the loan proceeds for eligible costs and maintained certain employee and wage rate thresholds. The Agency applied for and received forgiveness for the full balance of the loan plus any accrued interest in June 2021. Accordingly, the amount of the forgiveness was reflected as a gain on the statement of activities.

Note 10. Employee Benefit Plans

The Agency administers the 403(b) Thrift Plan of Lutheran Child and Family Services, a defined contribution plan. All employees become eligible to participate in the Thrift Plan upon achieving service level and age requirements. Employees are fully vested after three years of service. Full vesting also occurs at retirement age 65 or upon death or disability. The Agency's matching contribution is discretionary, for eligible participants employed by the Agency at year-end. The Agency made no contributions to the Thrift Plan in the year ended June 30, 2021.

The Agency also has a defined benefit pension plan (the Plan), which covers all eligible full-time staff hired before September 30, 2004, and provides for monthly pension payments to eligible employees upon retirement. Benefits are based upon earnings and eligible years of service. The Agency's funding policy is to contribute amounts necessary to maintain the long-term stability of the Plan. Effective September 30, 2004, the Agency froze the Plan for future benefit accruals. No further benefits will accrue under the Plan after this date. This action will not affect benefits accrued prior to September 30, 2004, or participants' vesting in benefits accrued prior to that date. Participants will receive benefits based on their final average salary as of September 30, 2004.

Note 10. Employee Benefit Plans (Continued)

The following sets forth the Agency's post-retirement plan's funded status and amounts recognized at June 30, 2021, using a measurement date of June 30, 2021, in the Agency's consolidated financial statements:

Projected benefit obligation	$ 13,855,956
Plan assets at fair value	12,485,271
Funded status deficit	$ 1,370,685
Accumulated benefit obligation	$ 13,855,956
Liability recognized in the consolidated statement of financial position	$ 1,370,685
Unrecognized actuarial loss not yet recognized in net periodic benefit cost, but included as a separate component of unrestricted net assets at June 30, 2021	$ 3,041,559

The projected benefit obligation decreased by approximately $900,000 from June 30, 2020 to June 30, 2021. The decrease was driven primarily by an increase in the discount rate used to measure the liability, from 2.7% to 3%.

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2021, are as follows:

Net periodic benefit cost	$ 132,768
Other amounts recognized in unrestricted net assets:	
Net actuarial loss reclassified from unrestricted net assets to net periodic benefit cost	$ 161,605
Current-year net gain	2,591,223
Total recognized in unrestricted net assets	$ 2,752,828

It is estimated that $64,017 of the net actuarial loss will be recognized as a component of net periodic benefit cost for the year ending June 30, 2022.

The table below sets forth the weighted average assumptions used to determine the benefit obligation at June 30, 2021, and the net periodic benefit cost for the year ended June 30, 2021. These rates were selected based upon current market conditions, the Agency's experience, and future expectations.

	Benefit Obligation	Net Periodic Benefit Cost
Discount rate	3.00%	2.70%
Expected rate of return on plan assets	7.25%	7.25%
Rate of increase in future compensation	N/A	N/A

Note 10. Employee Benefit Plans (Continued)

The Agency determines the long-term expected rate of return on plan assets by examining historical capital market returns, correlations between asset classes, and the plan's normal asset allocation. Current and near-term market factors, such as inflation and interest rates, are then evaluated to arrive at the expected return on plan assets.

Plan assets at June 30, 2021, were composed of:

Cash and cash equivalents	1.92%
Equities	47.08%
Fixed income funds	51.00%
	100.00%

The Agency's overall investment strategy is to maintain a diversified investment allocation containing both equities and fixed income. The established target allocation is 65% equities and 35% fixed income. The Plan investment allocation is intended to provide current income to pay benefits when due while also providing opportunity for long-term growth. During fiscal year 2021, LCFS temporarily shifted its allocation toward fixed income due to anticipation of market volatility.

Equity securities and fixed income funds are classified as Level 1 in the fair value hierarchy and are recorded at fair value based on quoted market prices in an active market.

The following table presents the Plan's assets using the fair value hierarchy, described previously in Note 5, as of June 30, 2021:

Cash and cash equivalents	$ 239,361
Equities	5,878,249
Fixed-income funds	6,367,661
	$ 12,485,271

Employer contributions for the year ended June 30, 2021	$ 542,242
Benefits paid during the year ended June 30, 2021	$ 595,917

The Agency plans to contribute approximately $500,000 to the Plan in the year ending June 30, 2022.

The benefits expected to be paid for 10 years, assuming that all participants retire at their normal retirement age, are approximately as follows:

2022	$ 712,474
2023	709,944
2024	704,863
2025	710,175
2026	726,354
2027-2031	3,593,441

Note 11. Lease Commitments

The Agency is obligated under various occupancy and equipment leases expiring in various years through fiscal 2028. Several of these rental arrangements have no formal written leases and are payable on a month-to-month basis and are not included in the schedule below. Future minimum payments under noncancelable leases are approximately as follows:

2022	$	902,639
2023		920,915
2024		858,465
2025		538,335
2026		343,734
Thereafter		211,200
	$	3,775,288

Total occupancy rental expense for the year ended June 30, 2021, was $894,698. Rent expense is recorded on a straight-line basis. As of June 30, 2021, the Agency has a deferred rent liability of $134,951, which is included in other liabilities on the consolidated statement of financial position.

Note 12. Contingencies

Purchase of service contracts from the state of Illinois is subject to audit and the Agency could become liable for any expenditures disallowed upon any such audit. Management believes; however, any possible disallowance would not be material to the consolidated financial statements.

In the normal course of its activities, the Agency may be named in lawsuits filed by its clients or their representatives. As an employer, the Agency is from time-to-time subject to allegations of violations of various laws related to employment. The Agency does not believe that any current claims will result in a material impact on the consolidated financial statements.

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021, consisted of the following:

Subject to the passage of time:	
General operations	$ 292,281
Subject to expenditure for a specific purpose:	
Camp Wartburg	13,705
Christmas gifts	42,250
LCMS Foundation	90,228
	146,183
Subject to appropriation in accordance with endowment spending policy:	
Endowment earnings	51,174
Required to be maintained in perpetuity:	
Donor-restricted endowment	80,558
Beneficial interest in irrevocable trusts	4,104,558
	4,185,116
	$ 4,674,754

Note 14. Endowment Funds

The Agency's endowment consists of beneficial interests in perpetual trusts, certain donor-restricted endowments, as well as funds without donor restrictions that have been designated by the Board of Trustees to function as endowments established for a variety of purposes. The board-designated endowment represents the investment portfolio held by the LCFS Foundation. These funds are intended to be retained and invested for the long-term benefit of the Agency, but can be appropriated through action by the Board of Trustees.

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Agency's management has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not required to be maintained in perpetuity is included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 14. Endowment Funds (Continued)

In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Agency and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Agency; and
7. The investment policies of the Agency.

The Agency's endowment net asset composition by type of fund is as follows for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 4,236,290	$ 4,236,290
Board-designated	7,848,958	-	7,848,958
	$ 7,848,958	$ 4,236,290	$ 12,085,248

The changes in endowment net assets for the Agency were as follows for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,385,021	$ 3,612,937	$ 8,997,958
Transfers to board-designated fund	300,000	-	300,000
Investment return, net	802,067	623,353	1,425,420
Funds refunded from LCFS operations	1,361,870	-	1,361,870
Endowment net assets, end of year	$ 7,848,958	$ 4,236,290	$ 12,085,248

From time to time, the Agency uses funds from its board-designated funds acting as an endowment to fund operating cash shortfalls. At June 30, 2021, approximately $75,000 was due from the Agency's operating funds to repay the board-designated endowment fund. This amount is expected to be repaid over the long term as the Agency generates positive cash flows from operations.

Note 14. Endowment Funds (Continued)

Return objectives and risk parameters: The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the long-term return objective is to maintain the endowment fund's purchasing power while covering the annual payout and investment expenses.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Agency has a policy of appropriating for distribution each year a percentage of its board-designated endowment fund's fair value calculated off of the prior fiscal year-end balance for use in the current year. In establishing distribution rates, the Agency considers the long-term expected return on its endowment. This policy is consistent with the Agency objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. For the year ended June 30, 2021, the Agency did not appropriate a distribution from the board-designated endowment fund. The Agency's spending policy related to the beneficial interest in perpetual trusts is to utilize any income distributed for operating purposes.

Note 15. Beneficial Interest in Perpetual Trusts

The Agency is the income beneficiary of the Arthur D. Day and Armilda A. Day Memorial Trust, which is a perpetual trust. The fair value of the trust assets is included in the Agency's net assets with donor restrictions as a beneficial interest in perpetual trust. The trust's assets consist of $1,568,113 of securities and investable cash, and 224 acres of farmland and buildings with an approximated fair market value of $2,329,080. The income from the trust is to be paid quarterly. During fiscal year 2021, the Agency received $73,055 of income from the trust and this amount is recorded within legacies and bequests without donor restrictions on the consolidated statement of activities, as the use of the income is not restricted.

The Agency is one of the income beneficiaries of two other perpetual trusts with assets of $553,514 and $1,005,621, respectively, at June 30, 2021, consisting of marketable securities. The Agency's proportionate share of trusts' assets was $73,617 and $133,748, respectively. The income from the trusts is to be paid quarterly. During fiscal year 2021, the Agency received $645 and $9,338 of income, respectively, from the trusts and these amounts are included within legacies and bequests without donor restrictions on the consolidated statement of activities, as the use of the income is not restricted.

Note 16. Liquidity and Availability

The Agency regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities of providing services to the children and families of Illinois, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Note 16. Liquidity and Availability (Continued)

The table below represents financial assets and liquidity resources available for general expenditures within one year of June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	$ 4,664,881
Accounts receivable, net	4,099,851
Contributions receivable, net	292,281
Investments	8,229,943
Beneficial interest in perpetual trusts	4,104,558
	21,391,514
Less amounts not available for spending within one year:	
Contributions receivable, net due in more than one year	220,543
Board-designated investments functioning as an endowment	7,848,958
Donor-restricted endowment funds	131,732
Beneficial interest in perpetual trusts	4,104,558
Cash held as collateral	2,700,000
Net assets restricted for specific purposes	55,955
	15,061,746
Assets available for use within the next year	$ 6,329,768

Investment income without donor restrictions, earnings appropriated from endowments with donor restrictions and board-designated endowments (quasi-endowments), contributions without donor restrictions and contributions with donor restrictions for use in current activities and programs are considered to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses.

In addition to financial assets available to meet general expenditures over the next 12 months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by public unrestricted donations.

Note 17. Comparative Totals for Prior Year

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.