# Lutheran Child and Family Services of Illinois

Financial Report
June 30, 2022

## Contents

# Independent Auditor's Report

Board of Trustees
Lutheran Child and Family Services of Illinois

**Opinion**
We have audited the 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, 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

**Report on Summarized Comparative Information**

We have previously audited the Agency's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
March 30, 2023

**Lutheran Child and Family Services of Illinois**

**Consolidated Statement of Financial Position**
**June 30, 2022 (With Comparative Totals for 2021)**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 4,048,931 | $ 4,664,881 |
| Certificates of deposit | 232,940 | - |
| Accounts receivable, net | 5,894,452 | 4,099,851 |
| Contributions receivable, net | 910,035 | 292,281 |
| Prepaid expenses | 267,959 | 220,337 |
| Investments | 7,806,343 | 8,229,943 |
| Property and equipment, net | 5,279,717 | 3,380,844 |
| Other assets | 101,239 | 153,130 |
| Beneficial interest in perpetual trusts | 4,883,621 | 4,104,558 |
| | $ 29,425,237 | $ 25,145,825 |
| **Liabilities and Net Assets** | | |
| Accounts payable | $ 1,172,864 | $ 1,158,119 |
| Accrued expenses | 2,237,185 | 2,389,781 |
| Line of credit | - | 339,404 |
| Long-term debt | 2,817,279 | 2,675,533 |
| Other liabilities | 2,188,206 | 2,139,603 |
| Accrued pension liability | 797,487 | 1,370,685 |
| | 9,213,021 | 10,073,125 |
| Net assets: | | |
| Without donor restrictions: | | |
| Other | 17,715,694 | 13,439,505 |
| Net actuarial pension loss | (2,872,397) | (3,041,559) |
| | 14,843,297 | 10,397,946 |
| With donor restrictions | 5,368,919 | 4,674,754 |
| | 20,212,216 | 15,072,700 |
| | $ 29,425,237 | $ 25,145,825 |

See notes to consolidated financial statements.

**Lutheran Child and Family Services of Illinois**

**Consolidated Statement of Activities**
**Year Ended June 30, 2022 (With Comparative Totals for 2021)**

| | 2022 | | | |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | 2021 Total |
| Revenue: | | | | |
| Contributions | **$ 828,337** | **$ 198,079** | **$ 1,026,416** | $ 1,028,823 |
| Legacies and bequests | **1,029,339** | **-** | **1,029,339** | 1,241,172 |
| Contributions by associated congregations | **55,666** | **-** | **55,666** | 63,819 |
| Allocations from federated fundraising organizations—United Way organizations | **-** | **-** | **-** | 71,396 |
| Fees and grants from governmental agencies | **33,704,401** | **-** | **33,704,401** | 30,583,732 |
| In-kind contributions | **126,132** | **-** | **126,132** | 45,470 |
| Other revenue: | | | | |
| Program service fees | **1,772,156** | **-** | **1,772,156** | 1,302,116 |
| Program grants | **209,223** | **-** | **209,223** | 282,825 |
| Income from thrift shops | **392,668** | **-** | **392,668** | 368,505 |
| Other income | **20,471** | **-** | **20,471** | 176,488 |
| Release of net assets arising from satisfaction of restrictions | **262,323** | **(262,323)** | **-** | - |
| | **38,400,716** | **(64,244)** | **38,336,472** | 35,164,346 |
| Expenses: | | | | |
| Program services | **31,418,143** | **-** | **31,418,143** | 29,537,332 |
| Supporting services: | | | | |
| Management and general expenses | **4,638,276** | **-** | **4,638,276** | 3,402,878 |
| Fundraising | **602,496** | **-** | **602,496** | 667,125 |
| Investment fund | **97,242** | **-** | **97,242** | 83,908 |
| | **5,338,014** | **-** | **5,338,014** | 4,153,911 |
| Operating expenses | **36,756,157** | **-** | **36,756,157** | 33,691,243 |
| **Increase (decrease) in net assets before other changes in net assets** | **1,644,559** | **(64,244)** | **1,580,315** | 1,473,103 |

(Continued)

**Lutheran Child and Family Services of Illinois**

**Consolidated Statement of Activities (Continued)**
**Year Ended June 30, 2022 (With Comparative Totals for 2021)**

| | 2022 | | | |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | 2021 Total |
| Other changes in net assets: | | | | |
| Investment return, net | **$ (1,297,611)** | **$ (20,654)** | **$ (1,318,265)** | $ 832,517 |
| Change in value of perpetual trusts | **-** | **779,063** | **779,063** | 606,999 |
| Gain on forgiveness of Paycheck Protection Program loan | **-** | **-** | **-** | 2,632,848 |
| Gain on sale of fixed assets | **10,218** | **-** | **10,218** | - |
| Components of net periodic benefit cost | **404,036** | **-** | **404,036** | 132,768 |
| Pension-related changes other than net periodic benefit costs | **169,162** | **-** | **169,162** | 2,752,828 |
| Contribution of net assets received from acquisition | **3,514,987** | **-** | **3,514,987** | - |
| | **2,800,792** | **758,409** | **3,559,201** | 6,957,960 |
| **Increase in net assets** | **4,445,351** | **694,165** | **5,139,516** | 8,431,063 |
| Net assets: | | | | |
| Beginning of year | **10,397,946** | **4,674,754** | **15,072,700** | 6,641,637 |
| End of year | **$ 14,843,297** | **$ 5,368,919** | **$ 20,212,216** | $ 15,072,700 |

See notes to consolidated financial statements.

## Lutheran Child and Family Services of Illinois

## Consolidated Statement of Functional Expenses
## Year Ended June 30, 2022 (With Comparative Totals for 2021)

| | 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Core Programs | | | | | | | | | |
| | Adoption | Family Counseling | Home– Based | Foster Care | Residential | Cornerstone | Prevention | Counseling | Transitional Housing | Total |
| Functional expenses: | | | | | | | | | | |
| Salaries | $ 562,292 | $ 140,786 | $ 708,093 | $ 9,619,479 | $ 1,224,971 | $ 136,696 | $ 95,852 | $ 123,819 | $ 124,427 | $ 12,736,415 |
| Taxes and benefits | 123,158 | 30,836 | 155,093 | 2,095,086 | 267,970 | 16,353 | 13,596 | 15,118 | 17,859 | 2,735,069 |
| Salaries, taxes and benefits | 685,450 | 171,622 | 863,186 | 11,714,565 | 1,492,941 | 153,049 | 109,448 | 138,937 | 142,286 | 15,471,484 |
| Professional fees | 32,634 | 1,820 | 286,579 | 437,801 | 7,726 | 12,477 | 24,807 | 11,326 | 32,536 | 847,706 |
| Supplies | 8,876 | (234) | 3,134 | 155,960 | 112,982 | 24,123 | 6,966 | 1,315 | 1,290 | 314,412 |
| Telephone | 20,347 | 17,327 | 13,108 | 383,861 | 15,006 | 2,281 | 1,538 | 3,674 | 4,039 | 461,181 |
| Postage and shipping | 870 | 43 | 698 | 14,704 | 935 | - | - | - | - | 17,250 |
| Occupancy | 58,495 | 15,370 | 67,178 | 916,390 | 112,197 | 10,153 | 11,618 | 20,042 | 122,964 | 1,334,407 |
| Outside printing and artwork | - | - | | 6,045 | - | - | 7,733 | - | - | 13,778 |
| Local transportation | 15,754 | 4,815 | 49,425 | 1,373,132 | 12,457 | 783 | 1,187 | 448 | 2,280 | 1,460,281 |
| Conferences and meetings | 555 | 710 | 301 | 12,309 | 2,375 | - | 12,284 | 207 | (28) | 28,713 |
| Specific assistance—foster board | 23,445 | - | 52,733 | 8,778,557 | 3,488 | 3,728 | 106,758 | - | - | 8,968,709 |
| Membership dues | 9,416 | - | - | - | - | 1,028 | 631 | 719 | 461 | 12,255 |
| Equipment rental, repairs and maintenance | 13,893 | 5,113 | 1,088 | 81,611 | 2,745 | - | 6,854 | 2,341 | 28 | 113,673 |
| Insurance | 1,610 | 2,832 | 18,067 | 131,834 | 13,019 | 160 | 88 | 159 | 230 | 167,999 |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Depreciation and amortization | - | - | - | 385 | 250 | 2,775 | - | - | - | 3,410 |
| Bad debt | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | 707,076 | 5,058 | 225 | - | 1,890 | - | 714,249 |
| **Total functional expenses** | $ 871,345 | $ 219,418 | $ 1,355,497 | $ 24,714,230 | $ 1,781,179 | $ 210,782 | $ 289,912 | $ 181,058 | $ 306,086 | $ 29,929,507 |

See notes to consolidated financial statements.

## Lutheran Child and Family Services of Illinois

## Consolidated Statement of Functional Expenses (Continued)
## Year Ended June 30, 2022 (With Comparative Totals for 2021)

| | Supporting | | | Supporting | Other Program | | |
|---|---|---|---|---|---|---|---|
| | **Management and General** | **Fundraising** | **Total LCFS Operations** | **Investment Fund** | **Camp Wartburg** | **Total** | 2021 Total |
| Functional expenses: | | | | | | | |
| Salaries | **$ 2,227,809** | **$ 337,144** | **$ 15,301,368** | **$ 62,354** | **$ 683,785** | **$ 16,047,507** | $ 14,716,392 |
| Taxes and benefits | **687,164** | **73,226** | **3,495,459** | **13,657** | **10,081** | **3,519,197** | 3,378,147 |
| Salaries, taxes and benefits | **2,914,973** | **410,370** | **18,796,827** | **76,011** | **693,866** | **19,566,704** | 18,094,539 |
| Professional fees | **1,097,571** | **68,563** | **2,013,840** | **16,504** | **100,223** | **2,130,567** | 1,676,606 |
| Supplies | **30,279** | **37,050** | **381,741** | **-** | **184,190** | **565,931** | 426,985 |
| Telephone | **130,819** | **3,715** | **595,715** | **325** | **17,303** | **613,343** | 512,765 |
| Postage and shipping | **10,511** | **10,477** | **38,238** | **-** | **3,421** | **41,659** | 45,720 |
| Occupancy | **(44,824)** | **29,658** | **1,319,241** | **4,301** | **182,652** | **1,506,194** | 1,193,475 |
| Outside printing and artwork | **35,800** | **7,789** | **57,367** | **-** | **20,546** | **77,913** | 37,931 |
| Local transportation | **24,189** | **2,615** | **1,487,085** | **-** | **18,151** | **1,505,236** | 1,241,088 |
| Conferences and meetings | **51,710** | **11,910** | **92,333** | **-** | **7,945** | **100,278** | 58,261 |
| Specific assistance—foster board | **2,810** | **10,179** | **8,981,698** | **-** | | **8,981,698** | 9,125,247 |
| Membership dues | **38,810** | **1,315** | **52,380** | **-** | **3,255** | **55,635** | 67,109 |
| Equipment rental, repairs and maintenance | **143,980** | **2,621** | **260,274** | **-** | **7,229** | **267,503** | 177,386 |
| Insurance | **62,643** | **6,234** | **236,876** | **101** | **72,312** | **309,289** | 262,912 |
| Interest | **76,210** | **-** | **76,210** | **-** | **3,741** | **79,951** | 148,511 |
| Depreciation and amortization | **37,246** | **-** | **40,656** | **-** | **173,802** | **214,458** | 212,356 |
| Bad debt | **-** | **-** | **-** | **-** | **-** | **-** | 85,666 |
| Other | **25,549** | **-** | **739,798** | **-** | **-** | **739,798** | 324,686 |
| **Total functional expenses** | **$ 4,638,276** | **$ 602,496** | **$ 35,170,279** | **$ 97,242** | **$ 1,488,636** | **$ 36,756,157** | $ 33,691,243 |

See notes to consolidated financial statements.

## Lutheran Child and Family Services of Illinois

## Consolidated Statement of Cash Flows
## Year Ended June 30, 2022 (With Comparative Totals for 2021)

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Increase in net assets | **$** | **5,139,516** | $ | 8,431,063 |
| Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities: | | | | |
| Depreciation and amortization | | **214,458** | | 212,356 |
| Gain on sale of fixed assets | | **(10,218)** | | - |
| Gain on forgiveness of Paycheck Protection Program loan | | **-** | | (2,632,848) |
| Allowance for doubtful accounts | | **(117,909)** | | 51,907 |
| Loss (gain) on investments | | **1,394,109** | | (786,168) |
| Change in value of perpetual trusts | | **(779,063)** | | (606,999) |
| Contribution of net assets received from acquisition | | **(3,514,987)** | | - |
| Components of net periodic benefit cost | | **(404,036)** | | (132,768) |
| Pension-related changes other than net periodic benefit costs | | **(169,162)** | | (2,752,828) |
| Changes in: | | | | |
| Accounts/contributions receivable | | **(1,703,261)** | | 955,605 |
| Prepaid expenses | | **(28,609)** | | (29,299) |
| Other assets | | **77,555** | | 4,139 |
| Accounts payable and accrued expenses | | **(291,737)** | | (146,825) |
| Other liabilities | | **43,196** | | 1,027,161 |
| **Net cash (used in) provided by operating activities** | | **(150,148)** | | 3,594,496 |
| Cash flows from investing activities: | | | | |
| Proceeds from sale of fixed assets | | **10,268** | | - |
| Purchases of property and equipment | | **(392,169)** | | (39,706) |
| Proceeds from sales of investments | | **3,411,245** | | 7,876,061 |
| Purchases of investments | | **(3,650,187)** | | (9,783,635) |
| Cash assumed in acquisition | | **352,699** | | - |
| **Net cash used in investing activities** | | **(268,144)** | | (1,947,280) |
| Cash flows from financing activities: | | | | |
| Payments of long-term debt | | **(187,728)** | | (87,980) |
| Net paydown of line of credit | | **(9,930)** | | (692,683) |
| **Net cash used in financing activities** | | **(197,658)** | | (780,663) |
| **(Decrease) increase in cash and cash equivalents** | | **(615,950)** | | 866,553 |
| Cash and cash equivalents: | | | | |
| Beginning of year | | **4,664,881** | | 3,798,328 |
| End of year | **$** | **4,048,931** | $ | 4,664,881 |
| Supplemental disclosure of cash flow information: | | | | |
| Interest paid | **$** | **79,952** | $ | 131,285 |
| 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 |
| Acquisition transaction: | | | | |
| Assets acquired | **$** | **3,674,280** | $ | - |
| Liabilities assumed | | **159,293** | | - |
| | | **3,514,987** | | - |
| Less cash acquired | | **352,699** | $ | - |
| Noncash net identifiable assets acquired | **$** | **3,162,288** | $ | - |

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:

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

The Agency is the sole member of Camp Wartburg and Lutheran Child and Family Services of Illinois Foundation. Effective April 1, 2022, the Agency has board control of 360 Youth Services.

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.

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

***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.

**Accounting policies:** The Agency follows accounting standards established by the Financial Accounting Standards Board (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, 2022, the Agency has approximately $766,000 of unexpended 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 beginning and ending balance of contractual accounts receivable for fiscal year 2022 was approximately $18,000 and $108,000, respectively.

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 services are reflected as in-kind contributions at their estimated fair values at date of receipt. In-kind revenue in fiscal year 2022 consisted solely of professional services provided to develop a strategic plan; the related expense is reflected in the management and general function. The services are reported at fair value estimated by the professional service firm based on the services performed.

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.

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

**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, 2022, the Agency had a balance of $289,471 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.

**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 when purchased, or at fair value when contributed. 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 |

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

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, 2022. 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, 2022, include a liability of $1,924,750 for various program surpluses generated in fiscal years prior to 2022. 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 have 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.

**Use of estimates:** In preparing consolidated 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 2022, the Agency adopted Accounting Standards Update (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 adoption of the standard did not have a significant impact on the Agency’s consolidated financial statements.

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

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

**Subsequent events:** The Agency has evaluated subsequent events for potential recognition and/or disclosure through March 30, 2023, the date the consolidated financial statements were available to be issued.

### Note 2. Acquisition of 360 Youth Services

Effective April 1, 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. The Agency recorded the acquisition in accordance with the Business Combinations Topic of the ASC, which requires the acquisition method to be used for business combinations. There was no consideration transferred for the acquisition, therefore the Agency recognized a contribution of net assets of $3,514,987 on its consolidated statement of activities. As a result of the transaction, no identifiable intangible assets were acquired.

The following summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

| | |
|---|---|
| Cash and cash equivalents | $ 352,699 |
| Receivables—grants | 591,185 |
| Prepaid expenses | 25,282 |
| Certificates of deposit | 232,940 |
| Fixed assets | 1,714,943 |
| Investments | 731,567 |
| Security deposits | 25,664 |
| Total assets acquired | 3,674,280 |
| | |
| Accounts payable and accrued expenses | 153,886 |
| Security deposits | 5,407 |
| Total liabilities assumed | 159,293 |
| Contribution received from acquisition | $ 3,514,987 |

## Note 3. Accounts Receivable

Accounts receivable at June 30, 2022, consisted of:

| | |
|---|---|
| Due from governmental agencies | $ 6,202,958 |
| Less allowance for doubtful accounts | (1,611,887) |
| | 4,591,071 |
| Other receivables | 1,303,381 |
| | $ 5,894,452 |

## Note 4. Contributions Receivable

Contributions receivable as of June 30, 2022, net of allowance, are $910,035. 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, 2022, 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, 2022, net of an allowance for doubtful accounts and a discount to present value using rates of up to 5%, consist of the following:

| | |
|---|---|
| Receivable in less than one year | $ 782,227 |
| Receivable in one to five years | 177,259 |
| Subtotal | 959,486 |
| Less discount to present value | 38,372 |
| Less allowance for doubtful accounts | 11,079 |
| | $ 910,035 |

## Note 5. Investments

Investments at June 30, 2022, consisted of:

| | Cost | Fair Value |
|---|---|---|
| Cash equivalents | $ 62,486 | $ 62,486 |
| Equity securities: | | |
| U.S. large cap | 3,622,818 | 3,865,100 |
| U.S. mid cap | 305,735 | 273,320 |
| U.S. small cap | 11,772 | 9,993 |
| EAFE equity | 126,545 | 106,474 |
| Global equity | 121,724 | 110,668 |
| | 4,188,594 | 4,365,555 |
| Fixed-income securities: | | |
| U.S. fixed-income funds | 2,921,786 | 2,709,612 |
| DuPage Foundation fund | 502,306 | 668,690 |
| | $ 7,675,172 | $ 7,806,343 |

## Note 6. 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 6. 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. The DuPage Foundation fund is valued at the fair market value of the Agency's shares of net assets of the DuPage Foundation fund as of June 30, 2022, as communicated by the DuPage Foundation. The DuPage Foundation determines fair value based on readily available pricing sources for market transactions involving identical assets for securities and using the net asset value (NAV) as a practical expedient for alternative investments. The investment in the DuPage Foundation is categorized as Level 3 due to the existence of certain unobservable inputs; there were no additions or redemptions in fiscal year 2022. Global equity securities are recorded at fair value using the NAV as a practical expedient. Changes in the fair value of securities are recorded as unrealized gains and losses.

**Beneficial interest in perpetual trusts:** The fair value of beneficial interest in trusts 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, 2022:

| | Level 1 | Level 3 | NAV* | Total |
|---|---|---|---|---|
| Investments at fair value: | | | | |
| Equity securities: | | | | |
| U.S. large cap | $ 3,865,100 | $ - | $ - | $ 3,865,100 |
| U.S. mid cap | 273,320 | - | - | 273,320 |
| U.S. small cap | 9,993 | - | - | 9,993 |
| EAFE equity | 106,474 | - | - | 106,474 |
| Global equity | - | - | 110,668 | 110,668 |
| Fixed-income securities: | | | | |
| U.S. fixed-income funds | 2,709,612 | - | - | 2,709,612 |
| DuPage Foundation fund | - | 668,690 | - | 668,690 |
| | $ 6,964,499 | $ 668,690 | $ 110,668 | 7,743,857 |
| Cash equivalents | | | | 62,486 |
| Total investments | | | | $ 7,806,343 |

| | Level 1 | Level 3 | NAV* | Total |
|---|---|---|---|---|
| Other assets at fair value: | | | | |
| Beneficial interest in perpetual trusts | $ - | $ 4,883,621 | $ - | $ 4,883,621 |
| | $ - | $ 4,883,621 | $ - | $ 4,883,621 |

*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 6. Fair Value Disclosures (Continued)

Investment measured at NAV using the practical expedient as of June 30, 2022, consisted of the following:

| | Fair value June 30, 2022 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Global Equity (1) | $ 110,668 | $ - | 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 7. Property and Equipment

Property and equipment at June 30, 2022, consisted of:

| | |
|---|---|
| Land | $ 2,396,719 |
| Buildings and improvements | 4,486,576 |
| Furniture and equipment | 2,179,209 |
| Vehicles | 316,885 |
| Construction in progress | 31,123 |
| | 9,410,512 |
| Accumulated depreciation | (4,130,795) |
| | $ 5,279,717 |

Depreciation and amortization expense in fiscal year 2022 was $214,458.

## Note 8. Line of Credit

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 bore interest, payable monthly, at an annual rate equal to the greater of 3% or London Interbank Offered Rate (LIBOR) plus 2%. The line was secured by certain of the Agency's investments. In September 2021, the Agency amended the agreement and transferred the balance of $329,474 to the long-term loan. The Agency had no outstanding borrowings of on the line at June 30, 2022.

## Note 9. Long-Term Debt

In March 2021, the Agency obtained a term loan with First Midwest Bank in the amount of $2,700,000. Payments of principal and interest, at a rate equal to the greater of 3% or one-month LIBOR plus 2%, were initially due in equal monthly installments of $15,035. In September 2021, the loan agreement was amended, and the outstanding line of credit balance at that date of $329,474 was transferred to this long-term loan. The amended agreement requires monthly principal payments of $9,987 plus interest. This loan is collateralized by certain of the Agency's properties. The Agency had outstanding borrowings on this loan of $2,817,279 at June 30, 2022.

## Note 9. Long-Term Debt (Continued)

Future maturities of long-term debt as of June 30, 2022, are as follows for the respective fiscal years:

| | |
|---|---|
| 2023 | $ 119,840 |
| 2024 | 119,840 |
| 2025 | 119,840 |
| 2026 | 2,457,759 |
| | $ 2,817,279 |

## 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, 2022.

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.

The following sets forth the Agency's post-retirement plan's funded status and amounts recognized at June 30, 2022, using a measurement date of June 30, 2022, in the Agency's consolidated financial statements:

| | |
|---|---|
| Projected benefit obligation | $ 11,302,337 |
| Plan assets at fair value | 10,504,850 |
| Funded status deficit | $ 797,487 |
| Accumulated benefit obligation | $ 11,302,337 |
| Liability recognized in the consolidated statement of financial position | $ 797,487 |
| Unrecognized actuarial loss not yet recognized in net periodic benefit cost, but included as a separate component of unrestricted net assets at June 30, 2022 | $ 2,872,397 |

The projected benefit obligation decreased by approximately $2,400,000 from June 30, 2021 to June 30, 2022. The decrease was driven primarily by an increase in the discount rate used to measure the liability, from 3% to 4.5%.

**Note 10. Employee Benefit Plans (Continued)**

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2022, are as follows:

| | | |
|---|---|---|
| Net periodic benefit cost | $ | 404,036 |
| | | |
| Other amounts recognized in unrestricted net assets: | | |
| Net actuarial loss reclassified from unrestricted net assets to net periodic benefit cost | $ | 64,017 |
| Current-year net gain | | 105,145 |
| Total recognized in unrestricted net assets | $ | 169,162 |

It is estimated that $68,737 of the net actuarial loss will be recognized as a component of net periodic benefit cost for the year ending June 30, 2023.

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2022, and the net periodic benefit cost for the year ended June 30, 2022. These rates were selected based upon current market conditions, the Agency's experience, and future expectations.

| | Benefit Obligation | Net Periodic Benefit Cost |
|---|---|---|
| Discount rate | 4.50% | 3.00% |
| Expected rate of return on plan assets | 7.25% | 7.25% |
| Rate of increase in future compensation | N/A | N/A |

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, 2022, were composed of:

| | |
|---|---|
| Cash and cash equivalents | 15.37% |
| Equities | 42.41% |
| Fixed income funds | 42.22% |
| | 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.

### Note 10. Employee Benefit Plans (Continued)

The following table presents the Plan's assets, classified as Level 1 using the fair value hierarchy, described previously in Note 6, as of June 30, 2022:

| | |
|---|---|
| Cash and cash equivalents | $ 1,615,502 |
| Equities | 4,454,677 |
| Fixed-income funds | 4,434,671 |
| | $ 10,504,850 |

| | |
|---|---|
| Employer contributions for the year ended June 30, 2022 | $ - |
| Benefits paid during the year ended June 30, 2022 | $ 602,876 |

The Agency plans to make no contributions to the Plan in the year ending June 30, 2023.

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

| | |
|---|---|
| 2023 | $ 737,964 |
| 2024 | 734,718 |
| 2025 | 729,265 |
| 2026 | 729,795 |
| 2027 | 744,813 |
| 2028-2032 | 3,653,285 |

### 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:

| | |
|---|---|
| 2023 | $ 992,600 |
| 2024 | 940,717 |
| 2025 | 665,793 |
| 2026 | 378,985 |
| 2027 | 129,070 |
| Thereafter | 90,750 |
| | $ 3,197,915 |

Total occupancy rental expense for the year ended June 30, 2022, was $900,492. Rent expense is recorded on a straight-line basis. As of June 30, 2022, the Agency has a deferred rent liability of $144,321, 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, 2022, consisted of the following:

| | |
|---|---|
| Subject to the passage of time: | |
| General operations | $ 172,123 |
| Subject to expenditure for a specific purpose: | |
| Camp Wartburg | 73,364 |
| Direct work with children | 128,733 |
| | 202,097 |
| Subject to appropriation in accordance with endowment spending policy: | |
| Endowment earnings | 30,490 |
| Required to be maintained in perpetuity: | |
| Donor-restricted endowment | 80,588 |
| Beneficial interest in irrevocable trusts | 4,883,621 |
| | 4,964,209 |
| | $ 5,368,919 |

### 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.

## Note 14. Endowment Funds (Continued)

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.

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, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted | $ - | $ 4,994,699 | $ 4,994,699 |
| Board-designated | 6,858,661 | - | 6,858,661 |
| | $ 6,858,661 | $ 4,994,699 | $ 11,853,360 |

The changes in endowment net assets for the Agency were as follows for the year ended June 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 7,848,958 | $ 4,236,290 | $ 12,085,248 |
| Transfers to board-designated fund | 209,982 | - | 209,982 |
| Investment return, net | (1,212,449) | 758,409 | (454,040) |
| Funds refunded from LCFS operations | 12,170 | - | 12,170 |
| Endowment net assets, end of year | $ 6,858,661 | $ 4,994,699 | $ 11,853,360 |

## 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, 2022, 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 $1,349,397 of securities and investable cash, and 224 acres of farmland and buildings with an approximated fair market value of $3,359,250. The income from the trust is to be paid quarterly. During fiscal year 2022, the Agency received $73,397 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 $471,770 and $843,827, respectively, at June 30, 2022, consisting of marketable securities. The Agency's proportionate share of trusts' assets was $62,745 and $112,229, respectively. The income from the trusts is to be paid quarterly. During fiscal year 2022, the Agency received $1,978 and $6,167 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, 2022:

| | |
|---|---|
| Financial assets at year-end: | |
| Cash and cash equivalents | $ 4,048,931 |
| Certificates of deposit | 232,940 |
| Accounts receivable, net | 5,894,452 |
| Contributions receivable, net | 910,035 |
| Investments | 7,806,343 |
| Beneficial interest in perpetual trusts | 4,883,621 |
| | 23,776,322 |
| Less amounts not available for spending within one year: | |
| Contributions receivable, net due in more than one year | 127,808 |
| Board-designated investments functioning as an endowment | 6,858,661 |
| Donor-restricted endowment funds | 111,078 |
| Beneficial interest in perpetual trusts | 4,883,621 |
| Net assets restricted for specific purposes | 202,097 |
| | 12,183,265 |
| Assets available for use within the next year | $ 11,593,057 |

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 consolidated financial statements for the fiscal year ended June 30, 2021, from which the summarized information was derived.