

**LUTHERAN CHILD AND FAMILY SERVICES
OF ILLINOIS AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2023)**



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LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
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(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2023)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lutheran Child and Family Services of Illinois and Affiliates
Oakbrook Terrace, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Lutheran Child and Family Services of Illinois and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2024, and 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Child and Family Services of Illinois and Affiliates as of June 30, 2024, and the change 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Lutheran Child and Family Services of Illinois and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Child and Family Services of Illinois and Affiliates' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Lutheran Child and Family Services of Illinois and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Child and Family Services of Illinois and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

Board of Trustees
Lutheran Child and Family Services of Illinois and Affiliates

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025, on our consideration of the Lutheran Child and Family Services of Illinois and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lutheran Child and Family Services of Illinois and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lutheran Child and Family Services of Illinois and Affiliates' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 14, 2025

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

| | 2024 | 2023 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 7,764,159 | \$ 6,049,464 |
| Accounts Receivable, Net | 5,722,768 | 7,164,212 |
| Contributions Receivable, Net | 965,590 | 738,684 |
| Prepaid Expenses | 365,392 | 257,816 |
| Investments | 11,194,929 | 9,898,527 |
| Operating Right-of-Use Assets | 4,814,006 | 3,028,036 |
| Property and Equipment, Net | 5,050,124 | 5,254,259 |
| Other Assets | 123,436 | 127,257 |
| Net Pension Asset | 709,958 | 195,011 |
| Cash Held for Long-Term Purposes - Endowments | 150,000 | 150,000 |
| Beneficial Interests in Perpetual Trusts | 5,006,203 | 4,817,822 |
| | \$ 41,866,565 | \$ 37,681,088 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 219,719 | \$ 1,793,756 |
| Accrued Expenses | 4,220,717 | 1,931,942 |
| Operating Lease Liabilities | 5,147,507 | 3,175,621 |
| Long-Term Debt | 2,379,770 | 2,593,208 |
| Deferred Revenue | 5,966,984 | 4,293,047 |
| Other Liabilities | 401,243 | 315,695 |
| Total Liabilities | 18,335,940 | 14,103,269 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Other | 15,850,298 | 19,520,589 |
| Net Actuarial Pension Loss | 960,725 | (2,014,231) |
| Total Without Donor Restrictions | 16,811,023 | 17,506,358 |
| With Donor Restrictions | 6,719,602 | 6,071,461 |
| Total Net Assets | 23,530,625 | 23,577,819 |
| Total Liabilities and Net Assets | \$ 41,866,565 | \$ 37,681,088 |

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

| | 2024 | | | 2023 Total |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUE | | | | |
| Contributions | \$ 180,003 | \$ 1,031,818 | \$ 1,211,821 | \$ 2,575,065 |
| Fees and Grants from Governmental Agencies | 44,386,137 | - | 44,386,137 | 39,357,019 |
| In-Kind Contributions | 412,004 | - | 412,004 | 113,239 |
| Other Revenue: | | | | |
| Program Service Fees | 1,780,649 | - | 1,780,649 | 2,741,788 |
| Program Grants | 1,230,102 | - | 1,230,102 | 334,979 |
| Income from Thrift Shops | 400,275 | - | 400,275 | 412,344 |
| Other Income | 203,472 | - | 203,472 | 845,780 |
| Net Assets Released From Restrictions | 587,996 | (587,996) | - | - |
| Total Other Revenue | <u>4,202,494</u> | <u>(587,996)</u> | <u>3,614,498</u> | <u>4,334,891</u> |
| Total Revenue | <u>49,180,638</u> | <u>443,822</u> | <u>49,624,460</u> | <u>46,380,214</u> |
| EXPENSES | | | | |
| Program Services | 41,951,455 | - | 41,951,455 | 37,719,743 |
| Supporting Services: | | | | |
| Management and General Expenses | 7,537,222 | - | 7,537,222 | 6,268,976 |
| Fundraising | 1,255,986 | - | 1,255,986 | 788,408 |
| Total Supporting Services | <u>8,793,208</u> | <u>-</u> | <u>8,793,208</u> | <u>7,057,384</u> |
| Total Expenses | <u>50,744,663</u> | <u>-</u> | <u>50,744,663</u> | <u>44,777,127</u> |
| INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER CHANGES IN NET ASSETS | (1,564,025) | 443,822 | (1,120,203) | 1,603,087 |
| OTHER CHANGES IN NET ASSETS | | | | |
| Investment Return, Net | 1,238,412 | 15,938 | 1,254,350 | 835,955 |
| Change in Value of Perpetual Trusts | - | 188,381 | 188,381 | (65,799) |
| Loss on Sale of Fixed Assets | (9,766) | - | (9,766) | (138) |
| Components of Net Periodic Benefit Cost | 161,620 | - | 161,620 | 134,332 |
| Pension-Related Changes Other Than Net Periodic Benefit Costs | <u>(521,576)</u> | <u>-</u> | <u>(521,576)</u> | <u>858,166</u> |
| Total Other Changes in Net Assets | <u>868,690</u> | <u>204,319</u> | <u>1,073,009</u> | <u>1,762,516</u> |
| INCREASE (DECREASE) IN NET ASSETS | (695,335) | 648,141 | (47,194) | 3,365,603 |
| Net Assets - Beginning of Year | <u>17,506,358</u> | <u>6,071,461</u> | <u>23,577,819</u> | <u>20,212,216</u> |
| NET ASSETS - END OF YEAR | <u>\$ 16,811,023</u> | <u>\$ 6,719,602</u> | <u>\$ 23,530,625</u> | <u>\$ 23,577,819</u> |

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

| | Core Programs | | | | | | | | | Total Core Programs | Supporting | | Total LCFS Operations | 2023 Total |
|---|---------------|--------------|---------------|--------------|--------------|-------------|------------|--------------|------------|---------------------|------------------------|--------------|-----------------------|---------------|
| | Adoption | Home-Based | Foster Care | STAC | Camp Wartbug | Cornerstone | Counseling | Housing | Prevention | | Management and General | Fundraising | | |
| Salaries | \$ 675,117 | \$ 558,445 | \$ 13,741,327 | \$ 1,282,107 | \$ 874,728 | \$ 602,451 | \$ 85,729 | \$ 651,155 | \$ 440,180 | \$18,911,239 | \$ 3,718,868 | \$ 586,121 | \$ 23,216,228 | \$ 20,455,133 |
| Taxes and Benefits | 108,404 | 90,038 | 2,235,751 | 207,962 | 158,407 | 88,423 | 24,316 | 82,679 | 59,395 | 3,055,375 | 318,621 | 101,024 | 3,475,020 | 3,821,661 |
| Total Salaries, Taxes and Benefits | 783,521 | 648,483 | 15,977,078 | 1,490,069 | 1,033,135 | 690,874 | 110,045 | 733,834 | 499,575 | 21,966,614 | 4,037,489 | 687,145 | 26,691,248 | 24,276,794 |
| Professional Fees | 3,323 | 242,353 | 301,082 | 18,874 | 40,051 | 34,520 | 24,482 | 47,172 | 8,350 | 720,207 | 1,423,164 | 220,561 | 2,363,932 | 2,234,057 |
| Supplies | 2,007 | 440 | 430,063 | 133,913 | 222,902 | 52,015 | 5,883 | 72,882 | 31,307 | 951,412 | 233,256 | 77,845 | 1,262,513 | 923,186 |
| Telephone | 11,092 | 6,265 | 179,416 | 2,571 | 7,897 | 7,347 | 8,306 | 14,612 | 5,472 | 242,978 | 240,871 | 849 | 484,698 | 558,208 |
| Software and Technology | 847 | 19 | 32,293 | 2,006 | 7,162 | 353 | 140 | 272 | 129 | 43,221 | 87,929 | 3,471 | 134,621 | - |
| Postage and Shipping | 343 | - | 6,133 | - | 4,017 | - | - | 22 | 37 | 10,552 | 25,707 | 5,663 | 41,922 | 37,695 |
| Occupancy | 58,203 | 57,267 | 926,102 | 104,784 | 276,004 | 106,969 | 60,231 | 133,732 | 29,752 | 1,753,044 | 384,781 | 23,460 | 2,161,285 | 2,117,300 |
| Outside Printing and Artwork | 103 | - | 20,319 | - | 30,643 | - | 50 | - | 5,664 | 56,779 | 39,312 | 9,231 | 105,322 | 86,113 |
| Local Transportation | 16,292 | 28,905 | 1,244,191 | 21,105 | 37,331 | 53,493 | 1,631 | 49,747 | 14,039 | 1,466,734 | 464,981 | 30,406 | 1,962,121 | 1,617,399 |
| Conferences and Meetings | 750 | 745 | 6,658 | 11,715 | 14,462 | 384 | 85 | 4,018 | 3,356 | 42,173 | 92,908 | 14,427 | 149,508 | 144,832 |
| Specific Assistance | 39,157 | 47,774 | 11,645,533 | 842 | - | 18,237 | - | 1,053,665 | - | 12,805,208 | (4,931) | 642 | 12,800,919 | 11,105,199 |
| Membership Dues | 790 | 50 | 3,296 | - | 4,011 | 993 | 481 | 1,018 | 623 | 11,262 | 50,142 | 5,423 | 66,827 | 58,770 |
| Equipment Rental, Repairs and Maintenance | 12,877 | 4,800 | 140,108 | 3,976 | 24,676 | 8,126 | 2,738 | 6,232 | 2,942 | 206,475 | 152,152 | - | 358,627 | 237,576 |
| Insurance | 3,773 | 12,020 | 199,659 | 29,904 | 115,349 | 14,375 | 3,265 | 11,959 | 4,654 | 394,958 | 43,526 | 1,510 | 439,994 | 390,467 |
| Interest | - | - | - | - | 120 | - | - | - | - | 120 | 181,683 | - | 181,803 | 159,458 |
| Depreciation and Amortization | - | - | - | 928 | 215,443 | 11,100 | - | - | - | 227,471 | 22,542 | - | 250,013 | 271,425 |
| Bad Debt | - | - | 805,664 | - | - | - | - | - | - | 805,664 | - | - | 805,664 | - |
| Other | - | - | 8,931 | 1,246 | 10,744 | - | 1,188 | 224,474 | - | 246,583 | 61,710 | 175,353 | 483,646 | 558,648 |
| Total Expenses by Function | \$ 933,078 | \$ 1,049,121 | \$ 31,926,526 | \$ 1,821,933 | \$ 2,043,947 | \$ 998,786 | \$ 218,525 | \$ 2,353,639 | \$ 605,900 | \$41,951,455 | \$ 7,537,222 | \$ 1,255,986 | \$ 50,744,663 | \$44,777,127 |

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

| | 2024 | 2023 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (Decrease) in Net Assets | \$ (47,194) | \$ 3,365,603 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 250,013 | 271,425 |
| (Gain) Loss on Sale of Fixed Assets | (9,766) | 138 |
| Bad Debt Expense | 805,664 | 169,483 |
| Gain on Investments | (1,254,350) | (817,515) |
| Non-cash Lease Expense | 185,916 | 147,585 |
| Change in Value of Perpetual Trusts | (188,381) | 65,799 |
| Components of Net Periodic Benefit Cost | (161,620) | (134,332) |
| Pension-Related Changes Other Than Net Periodic Benefit Costs | (521,576) | (858,166) |
| Contributions Restricted for Endowment | - | (750,000) |
| Changes in: | | |
| Accounts/Contributions Receivable | 258,874 | (667,892) |
| Prepaid Expenses | (107,576) | 10,143 |
| Other Assets | 172,070 | (26,018) |
| Accounts Payable and Accrued Expenses | 714,738 | 315,649 |
| Deferred Revenue Other Liabilities | 1,759,485 | 2,420,536 |
| Net Cash Provided by Operating Activities | 1,856,297 | 3,512,438 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Fixed Assets | 27,535 | 32,496 |
| Purchases of Property and Equipment | (63,647) | (278,601) |
| Proceeds from Sales of Investments | 130,579 | 288,285 |
| Purchases of Investments | (172,631) | (1,330,014) |
| Net Cash Used by Investing Activities | (78,164) | (1,287,834) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of Long-Term Debt | (213,438) | (224,071) |
| Proceeds from Endowment Contributions | 150,000 | 150,000 |
| Net Cash Used by Financing Activities | (63,438) | (74,071) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND IN RESTRICTED CASH AND CASH EQUIVALENTS | 1,714,695 | 2,150,533 |
| Cash and Cash Equivalents and Restricted Cash and Cash Equivalents - Beginning of Year | 6,199,464 | 4,048,931 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 7,914,159 | \$ 6,199,464 |
| RECONCILIATION OF CASH | | |
| Cash and Cash Equivalents | \$ 7,764,159 | \$ 6,049,464 |
| Cash Held for Long-Term Purposes - Endowments | 150,000 | 150,000 |
| Total | \$ 7,914,159 | \$ 6,199,464 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | \$ 181,803 | \$ 159,458 |

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lutheran Child and Family Services of Illinois (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.

LCFS 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. LCFS 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.

As 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, activities are classified 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 LCFS and the following separate entities (collectively the Agency):

- 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 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.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

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 of trustees may direct

Net Assets 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 (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, 2024, the Agency has unexpended grants which have not yet been recognized. The Agency has elected the simultaneous release policy for government grants, which allows the Agency 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. Government support is subject to retroactive review and adjustment by the funding agency.

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 2024 was approximately \$56,000 and \$95,000, respectively.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 2024, consisted of unrestricted donated advertising and goods provided for the Agency's event. The goods and services are valued at estimated cost to acquire. In-kind revenue in fiscal year 2023, consisted solely of unrestricted professional services provided to develop a strategic plan; the related expense is reflected in the fundraising function. The services are reported at fair value estimated by the professional service firm based on the services performed. There were no related restrictions on these donated materials and services.

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 Agency that performs marketing and advertising services for adoptive families whereby the Agency acts as a fiscal intermediary between this Agency and the Agency's clients due to a state of Illinois requirement. The Agency considers its relationship with the Agency 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 Agency and not yet remitted back to the Agency are recorded as a liability. There was no liability related to the agency transactions at June 30, 2024.

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. The allowance at June 30, 2024 is \$2,315,597.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF 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 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:

| | |
|-------------------------|----------------|
| Buildings | 15 to 40 Years |
| Building Improvements | 10 to 15 Years |
| Furniture and Equipment | 3 to 10 Years |
| Vehicles | 5 Years |

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, 2024. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Leases

The Agency leases office facilities and certain office equipment and determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liability in the consolidated statements of financial position.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Agency's right to use an underlying asset for the lease term and lease liabilities represent the Agency's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Agency has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

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

For lease arrangements with lease and nonlease components, the Agency has made a policy election to account for lease and nonlease components, separately, for all classes of assets.

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.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

The liability for excess revenues is based on management's assessment of the estimated amounts due to funding sources for program revenues in excess of program expenses. If actual excess revenues are higher than the historical experience, management's estimates of the amounts due from the Agency could be adversely affected. A liability of \$5,565,391 as of June 30, 2024 has been included with deferred revenue on the consolidated statements of financial position. The balance includes amounts for various state of Illinois agency program surpluses generated in the current and prior fiscal years. The funder may require that the Agency return some or all of these surpluses.

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.

Adopted Accounting Pronouncement

The Agency has adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The agency adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on Agency's consolidated financial statements or how the allowance for credit losses is determined.

Reclassification

Prior year amounts have been reclassified, where appropriate, to conform to the current year method of presentation. These changes had no impact to the change in net assets.

Subsequent Events

The Agency has evaluated subsequent events for potential recognition and/or disclosure through March 14, 2025, the date the consolidated financial statements were available to be issued.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2024, net of allowance, are \$965,590. 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, 2024, 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, 2024, 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 | \$ 358,878 |
| Receivable in Two to Five Years | 678,871 |
| Total | 1,037,749 |
| Less: Discount to Present Value | (54,653) |
| Less: Allowance for Doubtful Accounts | (17,506) |
| Total | \$ 965,590 |

NOTE 3 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.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 FAIR VALUE DISCLOSURES (CONTINUED)

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. There were no transfers into or out of Level 3 during the year ended June 30, 2024.

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, 2024, 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 significant additions or redemptions in fiscal year 2024. Certain U.S. fixed-income funds 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, 2024:

| | Level 1 | Level 3 | NAV* | Total |
|---|---------------|--------------|------------|---------------|
| Investments at Fair Value: | | | | |
| Fixed Income Funds | \$ 2,676,534 | \$ - | \$ 123,230 | \$ 2,799,764 |
| Equity Funds | 7,467,101 | - | - | 7,467,101 |
| DuPage Foundation Fund | - | 708,025 | - | 708,025 |
| | \$ 10,143,635 | \$ 708,025 | \$ 123,230 | 10,974,890 |
| Cash & Equivalents | | | | 220,039 |
| Total Investments | | | | \$ 11,194,929 |
| Other Assets at Fair Value: | | | | |
| Beneficial Interest in Perpetual Trusts | \$ - | \$ 5,006,203 | \$ - | \$ 5,006,203 |

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 FAIR VALUE DISCLOSURES (CONTINUED)

*In accordance with ASC 820-10, certain investments measured at fair value using the 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.

Investment measured at NAV using the practical expedient as of June 30, 2024 consisted of the following:

| | <u>June 30, 2024</u> | <u>Commitments</u> | <u>Frequency</u> | <u>Notice Period</u> |
|------------------|----------------------|--------------------|------------------|----------------------|
| Balance Fund (1) | \$ 123,230 | \$ - | Daily | None |

(1) Represents a moderately balanced fund portfolio held at the LCMS Foundation 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 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 consisted of:

| | |
|----------------------------|----------------------------|
| Land | \$ 2,481,051 |
| Buildings and Improvements | 4,498,399 |
| Furniture and Equipment | 538,074 |
| Vehicles | 391,240 |
| Construction in Progress | 52,000 |
| Total | <u>7,960,764</u> |
| Accumulated Depreciation | <u>(2,910,640)</u> |
| Total | <u><u>\$ 5,050,124</u></u> |

Depreciation and amortization expense in fiscal year 2024 was \$250,013.

Subsequent to year-end, in August 2024, land and the related building were sold for approximately \$1,360,000, resulting in a loss of approximately \$86,000.

NOTE 5 LINE OF CREDIT

In March 2021, the Agency obtained a \$3,500,000 line of credit with Old National 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. This line was not renewed at its maturity in March 2024. Subsequent to year-end, in November 2024 the Agency entered into a new \$3,500,000 line of credit with Bank of America that matures in August 2025.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 LONG-TERM DEBT

The Agency has a term loan with Old National Bank in the amount of \$2,700,000. The loan agreement requires monthly principal payments of \$9,987 plus interest at the greater of 2.5% or one-month LIBOR plus 2%. This loan is collateralized by certain of the Agency's properties. The Agency had outstanding borrowings on this loan of \$2,379,770 at June 30, 2024. Effective July 1, 2023, the interest rate was converted to Secured Overnight Financing Rate (SOFR) plus 1.85%. The remaining balance of the term loan was paid in full subsequent to year-end in October 2024.

NOTE 7 EMPLOYEE BENEFIT PLANS

The Agency administers the 403(b) Thrift Plan of Lutheran Child and Family Services (the Thrift Plan), 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 \$281,070 in matching contributions to the thrift plan for the year ended June 30, 2024.

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, 2024, using a measurement date of June 30, 2024, in the Agency's consolidated financial statements:

| | |
|---|---------------------|
| Projected Benefit Obligation | \$ 4,557,531 |
| Plan Assets at Fair Values | <u>5,267,489</u> |
| Funded Status Surplus | <u>\$ 709,958</u> |
| Accumulated Benefit Obligation | <u>\$ 4,557,531</u> |
| Asset Recognized in the Consolidated Statement of Financial Position | <u>\$ 709,958</u> |
| Unrecognized Actuarial Loss Not Yet Recognized in Net Periodic Benefit Cost, But Included as a Separate Component of Unrestricted Net Assets at June 30, 2024 | <u>\$ 1,536,686</u> |

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

The projected benefit obligation decreased by approximately \$6,149,000 from June 30, 2023 to June 30, 2024. The decrease was driven primarily by distributions made in anticipation of the plan termination.

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2024 are as follows:

| | |
|---|---------------------|
| Net Periodic Benefit Cost | <u>\$ 161,620</u> |
| Other Amounts Recognized in Unrestricted Net Assets: | |
| Net Actuarial Loss Reclassified from Unrestricted Net Assets to Net Periodic Benefit Cost | \$ 37,513 |
| Current Year Net Gain | <u>1,015,993</u> |
| Total Recognized in Unrestricted Net Assets | <u>\$ 1,053,506</u> |

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2024, and the net periodic benefit cost for the year ended June 30, 2024. These rates were selected based upon current market conditions, the Agency's experience, and future expectations.

| | | |
|---|--------|--------|
| Discount Rate | 5.35 % | 5.00 % |
| 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, 2024, were comprised of 99% cash reserve mutual funds and 1% money market fund.

The agency made no contributions to the plan during the year ended June 30, 2024.

Subsequent to year-end, the plan was terminated and all benefits were paid prior to December 31, 2024.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 LEASES

The Agency enters into contracts to lease real estate and various equipment. Certain leases include renewal or termination options. Under FASB ASC Topic 842, the lease term at the lease commencement date is determined based on the noncancellable period for which the Agency has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Agency is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Agency is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Agency considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

FASB ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Agency reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during fiscal year 2024, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during fiscal year 2024 that required an impairment test for the Agency's ROU assets or other long-lived assets in accordance with ASC 360-10.

The components of lease expense and supplemental cash flow information related to leases for fiscal year 2024, are as follows:

| | |
|----------------------|---------------------|
| Operating Lease Cost | <u>\$ 1,344,303</u> |
|----------------------|---------------------|

Lease-related information as of and for the fiscal year ended June 30, 2024 is as follows:

| | |
|--|---------------------|
| Operating Cash Outflows - Payments on Operating Leases | <u>\$ 1,158,954</u> |
|--|---------------------|

Right-of-Use Assets Obtained in Exchange for:

New Lease Obligations:

| | |
|------------------|---------------------|
| Operating Leases | <u>\$ 2,972,009</u> |
|------------------|---------------------|

Operating Leases:

| | |
|-------------------------------------|---------------------|
| Operating Lease Right-of-Use Assets | <u>\$ 4,814,006</u> |
|-------------------------------------|---------------------|

| | |
|-----------------------------|---------------------|
| Operating Lease Liabilities | <u>\$ 5,147,507</u> |
|-----------------------------|---------------------|

Weighted-Average Remaining Lease Term:

| | |
|------------------|------------|
| Operating Leases | 4.50 Years |
|------------------|------------|

Weighted-Average Discount Rate:

| | |
|------------------|--------|
| Operating Leases | 3.86 % |
|------------------|--------|

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 LEASES (CONTINUED)

Future undiscounted cash flows for each of the next five fiscal years and thereafter and reconciliation to the lease liabilities recognized on the statement of financial position as of June 30, 2024 is as follows:

| <u>Year Ending June 30,</u> | <u>Operating Leases</u> |
|------------------------------------|-----------------------------|
| 2025 | \$ 1,455,383 |
| 2026 | 1,257,338 |
| 2027 | 1,038,531 |
| 2028 | 987,747 |
| 2029 | 468,282 |
| Thereafter | <u>419,506</u> |
| Total Lease Payments | 5,626,787 |
| Less: Imputed Interest | <u>(479,280)</u> |
| Present Value of Lease Liabilities | <u>\$ 5,147,507</u> |

NOTE 9 CONTINGENCIES AND CONCENTRATIONS

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.

The Agency received a substantial portion of support from state of Illinois agencies totaling approximately 86% of the total revenue for the fiscal year ended June 30, 2024. As of June 30, 2024, the Agency has total gross receivables from state of Illinois agencies totaling approximately \$7,360,000.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 consisted of the following:

| | |
|---|----------------------------|
| Subject to the Passage of Time: | |
| General Operations | \$ 119,246 |
| Subject to Expenditure for a Specific Purpose: | |
| Camp Wartburg | 36,437 |
| Direct Work With Children | 732,362 |
| Total | <u>768,799</u> |
| Subject to Appropriation in Accordance with Endowment Spending Policy: | |
| Endowment Earnings | 112,524 |
| Required to Be Maintained in Perpetuity: | |
| Donor-Restricted Endowment | 712,830 |
| Beneficial Interest in Irrevocable Trusts | 5,006,203 |
| Total | <u>5,719,033</u> |
| Total Net Assets with Donor Restrictions | <u><u>\$ 6,719,602</u></u> |

Net assets released from donor restrictions at June 30, 2024 consisted of the following:

| | |
|---|--------------------------|
| Passage of Time | \$ 286,628 |
| Expenditure for a Specific Purpose | 296,368 |
| Appropriation in Accordance with Endowment Spending Policy | 5,000 |
| | <u><u>\$ 587,996</u></u> |

NOTE 11 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.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

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.

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, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------|-------------------------------|----------------------------|----------------------|
| Donor-Restricted | \$ - | \$ 5,831,558 | \$ 5,831,558 |
| Board-Designated | 9,826,631 | - | 9,826,631 |
| Total | <u>\$ 9,826,631</u> | <u>\$ 5,831,558</u> | <u>\$ 15,658,189</u> |

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

The changes in endowment net assets for the Agency were as follows for the year ended June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Endowment Net Assets - Beginning of Year | \$ 8,681,827 | \$ 5,684,208 | \$ 14,366,035 |
| Additions | 291,370 | 150,000 | 441,370 |
| Transfers to Board-Designated Fund | (200,000) | - | (200,000) |
| Investment Return, Net | 1,149,539 | 200,108 | 1,349,647 |
| Other Changes | (96,105) | (202,758) | (298,863) |
| Total | <u>\$ 9,826,631</u> | <u>\$ 5,831,558</u> | <u>\$ 15,658,189</u> |

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, 2024, the Agency did 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.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 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 \$1,498,182 of securities and investable cash, and 224 acres of farmland and buildings with an approximated fair market value of \$3,135,000. The income from the trust is to be paid quarterly. During fiscal year 2024, the Agency received approximately \$129,000 of income from the trust and this amount is recorded within contributions 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 \$932,581 and \$572,175, respectively, at June 30, 2024, consisting of marketable securities. The Agency's proportionate share of trusts' assets was \$124,341 and \$76,290, respectively. The income from the trusts is to be paid quarterly. During fiscal year 2024, the Agency received \$6,152 and \$1,385 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 13 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.

The table below represents financial assets and liquidity resources available for general expenditures within one year of June 30, 2024:

| | |
|--|---------------------|
| Financial Assets at Year-End: | |
| Cash and Cash Equivalents | \$ 7,764,159 |
| Cash Held for Long-Term Purposes - Endowment | 150,000 |
| Accounts Receivable, Net | 5,722,768 |
| Contributions Receivable, Net | 965,590 |
| Investments | 11,194,929 |
| Beneficial Interest in Perpetual Trusts | 5,006,203 |
| Total | <u>30,803,649</u> |
| Less: Amount Not Available for Spending Within One Year: | |
| Contributions Receivable, Net Due in More Than One Year | 678,871 |
| Board-Designated Investments Functioning as an Endowment | 9,826,631 |
| Donor-Restricted Endowment Funds | 825,354 |
| Beneficial Interest in Perpetual Trusts | 5,006,203 |
| Net Assets Restricted for Specific Purposes | 6,719,602 |
| Total | <u>23,056,661</u> |
| Assets Available for Use Within the Next Year | <u>\$ 7,746,988</u> |

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)

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 14 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, 2023, from which the summarized information was derived.



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

Board of Trustees
Lutheran Child and Family Services of Illinois and Affiliates
Oakbrook Terrace, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lutheran Child and Family Services of Illinois and Affiliates (Agency), which comprise the consolidated statement of financial position as of June 30, 2024, and 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, and have issued our report thereon dated March 14, 2025.

Report on Internal Control over Financial Reporting

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

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

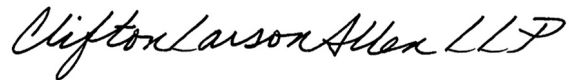
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 14, 2025



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Lutheran Child and Family Services of Illinois and Affiliates
Oakbrook Terrace, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lutheran Child and Family Services of Illinois and Affiliates' (Agency) compliance with the types of compliance requirements described in the Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2024. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency’s federal programs.

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency’s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Agency’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as findings 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be significant deficiencies.

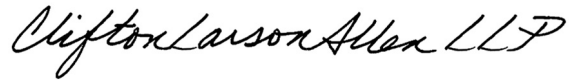
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the consolidated financial statements of the Agency as of and for the year ended June 30, 2024, and have issued our report thereon dated March 14, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 14, 2025

**LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|----------------------------------|
| Department of Health and Human Services | | | | |
| Transitional Living for Homeless Youth | 93.550 | N/A - Direct | \$ - | \$ 62,320 |
| Drug-free Communities Support Program Grants | 93.276 | N/A - Direct | - | 124,730 |
| Total Department of Health and Human Services Direct Programs | | | - | 187,050 |
| Social Services Block Grant - DuPage Youth Services Coalition, Inc. | 93.667 | FY2024 CCBYS- 360YS | - | 117,596 |
| Community Services Block Grant - DuPage County | 93.569 | G-13B1 LCOSR | - | 55,378 |
| Block Grants for Prevention and Treatment of Substance Abuse - Illinois Department of Human Services | 93.959 | 443CCZ03225 | - | 366,576 |
| Total Department of Health and Human Services | | | - | 726,600 |
| Department of Housing and Urban Development | | | | |
| Community Development Block Grants (CDBG)/Entitlement Grants Cluster | | | | |
| COVID-19 – CDBG/Entitlement Grants - DuPage County | 14.218 | CDCV21-02a | - | 12,405 |
| COVID-19 – CDBG/Entitlement Grants - City of Naperville | 14.218 | CDBG-CV | - | 13,610 |
| Total CDBG/Entitlement Grants Cluster | | | - | 26,015 |
| Continuum of Care Program | 14.267* | N/A - Direct | - | 797,523 |
| Total Department of Housing and Urban Development Direct Programs | | | - | 823,538 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 1,550,138 |

* This program was tested as a major program for the fiscal year ended June, 30 2024.

LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lutheran Child and Family Services of Illinois and 360 Youth Services under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of the Agency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATES

The Agency has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 NONCASH AWARDS

The Agency did not have any outstanding federal loans or loan guarantees or insurance and did not receive any federal noncash awards during the year ended June 30, 2024.

**LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x no
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

14.267

Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Consolidated Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Finding 2024-001 – Procurement

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Name: Continuum of Care Program
Assistance Listing Number: 14.267
Federal Award Identification Number: IL1780LST172201 - 2023
IL1651L5T142204 - 2023
IL1780L5T172100 - 2022
IL0315LST142215 - 2023
IL1651L5T142103 - 2022
Award Periods: August 1, 2022 – July 31, 2023; August 1, 2023 – July 31, 2024; July 1, 2023 – June 30, 2024
Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria:

Under the Uniform Guidance, organizations are required to document the basis for their procurement. For the procurements tested, the Agency did not have documentation to support how these procurements met the requirements.

Condition:

While the Agency has a procurement policy in place that meets the requirements of Uniform Guidance, the Agency did not create and retain appropriate documentation for the method of procurement utilized.

Questioned Costs:

None

Context:

For one transaction selected for testing under assistance listing number (ALN) 14.267 the Agency utilized the sole source method of procurement but did not maintain documentation justifying why the use of this method was appropriate.

Cause:

Unknown

**LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2024-001 – Procurement (Continued)

Effect:

Lack of following procurement procedures could result in the Agency engaging vendors who are not the most efficient or economical.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

CLA recommends the Agency maintain an audit trail for all procurements. This can be done electronically for efficiency.

Views of Responsible Officials:

There is no disagreement with this audit finding.

Finding 2024-002 – Suspension and Debarment

| | |
|--------------------------------------|--|
| Federal Agency: | U.S. Department of Housing and Urban Development |
| Federal Program Name: | Continuum of Care Program |
| Assistance Listing Number: | 14.267 |
| Federal Award Identification Number: | IL1780LST172201 - 2023 IL1651L5T142204 - 2023 IL1780L5T172100 - 2022 IL0315LST142215 - 2023 IL1651L5T142103 - 2022 |
| Award Periods: | August 1, 2022 – July 31, 2023; August 1, 2023 – July 31, 2024; July 1, 2023 – June 30, 2024 |
| Type of Finding: | Significant Deficiency in Internal Control over Compliance and Other Matters |

Criteria:

2 CFR sections 200.212 and 200.318(h); 2 CFR section 180.300; 48 CFR section 52.209-6 outlines that the non-Federal entity must verify that the agency in which it is entering into a contract is not suspended or debarred or otherwise excluded from participating in the transaction.

Condition:

The Agency did not retain the documentation of verification of vendors not suspended or debarred prior to entering into a contract with the vendor.

Questioned Costs:

None

**LUTHERAN CHILD AND FAMILY SERVICES OF ILLINOIS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2024-002 – Suspension and Debarment (Continued)

Context:

The Agency procured grant writing services and made rental assistance payments to the vendors without maintaining the documentation of verification for the vendors not being suspended or debarred.

Cause:

Unknown

Effect:

Formalized procedures should be in place to ensure the Agency does not engage with vendors that are debarred, suspended, or otherwise excluded.

Repeat Finding:

This finding is not a repeat finding.

Recommendation:

CLA recommends the Agency update its procurement policy to include procedures that a vendor be verified as not being debarred, suspended, or excluded and documentation maintained to support the determination.

Views of Responsible Officials:

There is no disagreement with this audit finding.



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