Family Focus, Inc.

Independent Auditor's Report and Financial Statements
and Supplementary Information

June 30, 2020 and 2019

BKD
CPAs & Advisors

Family Focus, Inc.
June 30, 2020 and 2019

Contents

BKD
CPAs & Advisors
1901 S. Meyers Road, Suite 500 | Oakbrook Terrace, IL 60181-5209
630.282.9500 | Fax 630.282.9495 | bkd.com

Independent Auditor's Report

Board of Directors
Family Focus, Inc.
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Family Focus, Inc. (Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Oakbrook Terrace, Illinois
January 13, 2021

Family Focus, Inc.
Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	$ 1,114,667	$ 671,655
Grants and contracts receivable	2,460,491	1,917,227
Other receivables	63,696	117,441
Pledges receivable	110,000	-
Prepaid expenses and other assets	112,510	25,498
Total current assets	3,861,364	2,731,821
Pledges Receivable, Net	198,277	-
Property and Equipment, Net		
Land	53,687	53,687
Building and improvements	2,530,659	2,422,209
Leasehold improvements	178,710	178,710
Furniture and equipment	1,452,759	1,368,224
	4,215,815	4,022,830
Less accumulated depreciation and amortization	2,369,648	2,104,970
Total property and equipment, net	1,846,167	1,917,860
Security Deposits	37,200	34,316
	$ 5,943,008	$ 4,683,997

Liabilities and Net Assets

		2020		2019
Current Liabilities				
Current portion of long-term debt	$	25,679	$	36,669
Current portion of capital lease obligation		91,547		89,638
Refundable advance		1,894,500		-
Accounts payable and accrued expenses		286,595		435,942
Accrued compensated absences		406,467		308,117
Deferred revenue		56,004		457,910
Total current liabilities		2,760,792		1,328,276
Noncurrent Liabilities				
Long-term debt, net of current maturities		-		25,516
Capital lease obligation, net of current maturities		38,718		130,265
Other long-term liabilities		20,951		45,503
Total noncurrent liabilities		59,669		201,284
Total liabilities		2,820,461		1,529,560
Net Assets				
Without donor restrictions				
Undesignated		43,648		504,992
Designated by the Board for endowment		1,015,000		1,001,559
Reserved for property and equipment		1,690,223		1,635,772
Total without donor restrictions		2,748,871		3,142,323
With donor restrictions		373,676		12,114
Total net assets		3,122,547		3,154,437
	$	5,943,008	$	4,683,997

Family Focus, Inc.

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020	2019
Without Donor Restrictions Activities		
Support and revenue		
Contributions		
Foundations and trusts	$ 1,075,491	$ 729,810
Corporations	117,305	344,840
Individuals and family foundations	293,005	491,524
Contributed services	242,931	-
Grants and program sponsorships		
Ounce of Prevention Fund	1,418,882	1,257,790
United Way	168,099	71,706
DCFS, DHS, ISBE and other	11,149,459	9,531,598
Rental income	215,638	210,692
Interest income	413	534
Training income and other	201,718	687,551
Net assets released from restrictions	121,714	291,813
Total support and revenue	15,004,655	13,617,858
Expenses		
Program services		
Education and support	12,835,364	11,098,399
Community center	362,610	350,614
Supporting services		
Management and general	2,009,340	1,568,346
Fundraising	190,793	407,231
Total expenses	15,398,107	13,424,590
Change in net assets without donor restrictions	(393,452)	193,268
With Donor Restrictions Activities		
Contributions		
Foundations and trusts	483,276	190,000
Net assets released from restrictions	(121,714)	(291,813)
Change in net assets with donor restrictions	361,562	(101,813)
Change in Net Assets	(31,890)	91,455
Net Assets, Beginning of Year	3,154,437	3,062,982
Net Assets, End of Year	$ 3,122,547	$ 3,154,437

Family Focus, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					
	Education and Support					
	Our Place	Nuestra Familia	Highland Park	Aurora	DuPage	Lawndale
Salaries	$ 426,701	$ 1,682,669	$ 449,934	$ 1,581,198	$ 1,021,498	$ 1,221,805
Employee health benefits	70,016	196,838	36,384	168,973	111,082	128,879
Payroll taxes	36,300	146,377	39,334	139,651	88,879	109,017
Other benefits	2,961	20,935	3,636	16,400	16,360	5,501
Total personnel	535,978	2,046,819	529,288	1,906,222	1,237,819	1,465,202
Stipends	-	19,110	-	42,500	-	21,700
Professional fees	5,879	22,744	15,776	15,074	12,207	73,400
Insurance	3,864	20,474	6,714	20,463	14,125	10,049
Occupancy	49,724	133,411	25,190	131,081	65,497	128,612
Telephone	12,880	62,977	32,597	39,553	35,520	47,942
Office expenses	11,977	34,430	12,504	42,174	29,420	20,163
Printing	396	8,080	538	3,382	826	866
Postage and delivery	224	1,523	1,522	3,950	1,371	905
Equipment purchases	2,761	11,951	4,247	9,451	4,881	7,739
Equipment rentals	-	776	-	640	-	600
Equipment repairs and maintenance	437	1,318	1,411	1,994	2,118	-
Program supplies, catering and food	24,417	44,646	35,865	101,942	60,643	86,849
Special events	2,798	6,797	6,937	1,936	954	23,783
Special assistance to clients	64,887	137,632	65,628	165,194	76,142	35,630
Local transportation	6,408	19,215	8,068	26,223	36,887	18,959
Conferences and meetings	784	2,864	5,284	4,771	4,270	3,724
Recruiting	-	-	-	-	-	-
In Kind - services	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Miscellaneous expenses	350	5,281	4,118	10,922	7,656	6,786
Total expenses before depreciation and amortization	723,764	2,580,048	755,687	2,527,472	1,590,336	1,952,909
Depreciation and amortization	-	-	-	-	-	-
	$ 723,764	$ 2,580,048	$ 755,687	$ 2,527,472	$ 1,590,336	$ 1,952,909

Program Services				Supporting Services		
Education and Support						
Englewood	Program Services	Total	Community Center	Management and General	Fundraising	Total Expenses
$ 1,503,142	$ 280,583	$ 8,167,530	$ 145,772	$ 962,924	$ 133,439	$ 9,409,665
164,724	25,625	902,521	23,450	58,499	7,242	991,712
131,748	23,654	714,960	12,648	73,467	10,854	811,929
17,424	2,466	85,683	2,180	24,625	2,025	114,513
1,817,038	332,328	9,870,694	184,050	1,119,515	153,560	11,327,819
3,100	-	86,410	-	-	-	86,410
45,397	18,759	209,236	9,354	139,533	3,700	361,823
11,734	3,240	90,663	3,870	12,956	2,312	109,801
93,806	17,628	644,949	58,426	86,601	14,350	804,326
49,476	12,780	293,725	4,861	58,345	3,041	359,972
15,746	6,644	173,058	2,812	4,676	123	180,669
1,043	2,398	17,529	66	4,487	640	22,722
2,296	522	12,313	807	2,460	3,034	18,614
12,736	9,118	62,884	1,972	22,004	998	87,858
675	-	2,691	-	1,243	361	4,295
2,944	-	10,222	8,498	26,052	6,367	51,139
47,243	31,271	432,876	297	2,966	528	436,667
14,873	1,909	59,987	-	-	6	59,993
44,445	-	589,558	90	110	9	589,767
27,690	6,911	150,361	2,535	6,033	599	159,528
13,342	13,484	48,523	283	33,865	45	82,716
-	35,714	35,714	-	19,090	-	54,804
-	-	-	-	242,931	-	242,931
-	-	-	2,664	31,450	-	34,114
1,992	6,866	43,971	343	12,028	1,120	57,462
2,205,576	499,572	12,835,364	280,928	1,826,345	190,793	15,133,430
-	-	-	81,682	182,995	-	264,677
$ 2,205,576	$ 499,572	$ 12,835,364	$ 362,610	$ 2,009,340	$ 190,793	$ 15,398,107

Family Focus, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					
	Education and Support					
	Our Place	Nuestra Familia	Highland Park	Aurora	DuPage	Lawndale
Salaries	$ 349,272	$ 1,366,849	$ 576,033	$ 1,352,805	$ 795,895	$ 1,092,961
Employee health benefits	51,991	153,097	41,676	132,208	79,763	112,508
Payroll taxes	31,253	123,212	51,719	123,003	70,726	101,386
Other benefits	3,338	14,129	4,762	10,265	11,450	5,898
Total personnel	435,854	1,657,287	674,190	1,618,281	957,834	1,312,753
Stipends	-	2,414	-	54,000	-	9,150
Professional fees	11,925	21,234	10,460	22,818	9,181	63,599
Insurance	3,282	13,189	6,459	14,500	9,788	6,972
Occupancy	58,515	135,561	19,562	138,661	57,301	122,319
Telephone	13,531	72,932	41,394	55,587	28,369	38,052
Office expenses	3,245	30,547	8,553	31,344	11,461	12,137
Printing	2,303	968	547	2,048	2,035	168
Postage and delivery	227	1,387	1,659	5,098	1,075	514
Equipment purchases	3,482	9,794	3,934	8,109	4,712	6,761
Equipment rentals	-	900	-	975	-	785
Equipment repairs and maintenance	-	1,183	4,420	1,170	1,195	538
Program supplies, catering and food	7,817	84,914	50,239	67,505	61,535	64,771
Special events	5,937	7,093	6,791	5,755	1,669	37,758
Special assistance to clients	1,951	7,846	1,208	9,229	8,999	2,403
Local transportation	6,334	21,420	7,948	30,079	37,103	20,494
Conferences and meetings	2,505	14,351	16,263	17,019	11,139	26,283
Recruiting	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Miscellaneous expenses	1,767	6,844	3,948	13,829	4,158	4,162
Total expenses before depreciation and amortization	558,675	2,089,864	857,575	2,096,007	1,207,554	1,729,619
Depreciation and amortization	-	-	-	-	-	-
	$ 558,675	$ 2,089,864	$ 857,575	$ 2,096,007	$ 1,207,554	$ 1,729,619

Program Services				Supporting Services		
Education and Support						
Englewood	Program Services	Total	Community Center	Management and General	Fundraising	Total Expenses
$ 1,312,127	$ 352,722	$ 7,198,664	$ 132,780	$ 820,276	$ 233,083	$ 8,384,803
122,120	30,118	723,481	26,145	51,439	12,768	813,833
120,430	31,180	652,909	11,665	69,924	20,389	754,887
12,889	2,287	65,018	1,634	20,901	3,513	91,066
1,567,566	416,307	8,640,072	172,224	962,540	269,753	10,044,589
9,100	700	75,364	-	-	-	75,364
55,396	18,848	213,461	13,238	80,464	7,717	314,880
7,745	2,319	64,254	2,679	8,770	1,583	77,286
116,231	11,723	659,873	78,810	85,989	11,469	836,141
39,087	15,930	304,882	4,269	35,091	4,800	349,042
9,756	13,490	120,533	1,008	3,026	396	124,963
236	135	8,440	402	7,822	11,480	28,144
1,039	600	11,599	1,680	2,390	3,807	19,476
9,537	9,203	55,532	444	33,444	1,693	91,113
1,800	-	4,460	-	1,991	615	7,066
1,552	-	10,058	821	5,982	362	17,223
49,291	34,042	420,114	1,241	2,147	89,831	513,333
14,685	2,978	82,666	-	-	323	82,989
303	31	31,970	168	633	1,992	34,763
41,529	13,466	178,373	217	3,952	634	183,176
22,659	40,807	151,026	99	32,418	282	183,825
-	20,854	20,854	-	73,332	-	94,186
-	-	-	4,715	21,799	-	26,514
3,850	6,310	44,868	15	28,295	494	73,672
1,951,362	607,743	11,098,399	282,030	1,390,085	407,231	13,177,745
-	-	-	68,584	178,261	-	246,845
$ 1,951,362	$ 607,743	$ 11,098,399	$ 350,614	$ 1,568,346	$ 407,231	$ 13,424,590

Family Focus, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	$ (31,890)	$ 91,455
Items not requiring cash		
Loss on disposal of property and equipment	-	17,510
Depreciation and amortization	264,677	246,845
Changes in assets and liabilities		
Grants and contracts receivable	(543,264)	48,453
Pledges receivable	(308,277)	-
Other receivables	53,745	890
Prepaid expenses and other assets	(87,012)	(5,796)
Security deposits	(2,884)	1,349
Refundable advance	1,894,500	-
Accounts payable, accrued expenses and other liabilities	(75,549)	54,766
Deferred revenue	(401,906)	449,738
Net cash provided by operating activities	762,140	905,210
Investing Activities		
Purchases of property and equipment	(192,984)	(376,237)
Financing Activities		
Capital lease payments	(89,638)	(87,768)
Proceeds from line of credit	4,000,000	1,300,000
Payments on line of credit	(4,000,000)	(1,300,000)
Payments on long-term debt	(36,506)	(34,292)
Net cash used in financing activities	(126,144)	(122,060)
Net Increase in Cash and Cash Equivalents	443,012	406,913
Cash and Cash Equivalents, Beginning of Year	671,655	264,742
Cash and Cash Equivalents, End of Year	$ 1,114,667	$ 671,655
Supplemental Cash Flows Information		
Cash paid during the year for interest	$ 34,114	$ 26,514
Noncash contributions recognized as in-kind revenues/expenses	$ 242,931	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Family Focus, Inc. (Organization) is a nonprofit organization organized to promote the wellbeing of children from birth by supporting and strengthening their families. Family Focus, Inc. presently comprises of seven centers in the Chicago area providing a variety of educational and support services for families with children through five years of age and adolescents, some of whom are not yet parents and some who are parents too soon.

The Organization is supported primarily through donor contributions and grants. Approximately $1,900,000, or 12%, and $2,000,000, or 15%, of the Organization's support for the years ended June 30, 2020 and 2019, respectively, came from the 21st Century Grant. Approximately $3,900,000, or 26%, and $2,800,000, or 20%, of the Organization's support for the years ended June 30, 2020 and 2019, respectively, came from the Early Childhood Block Grant. The Organization received approximately $8,300,000 and $7,400,000 of its total support and revenue from State of Illinois agencies during the years ended June 30, 2020 and 2019, respectively. A significant reduction in the level of total support, if that were to occur, could have a significant effect on the Organization's programs and activities. State of Illinois support is subject to final review and determination by the State of Illinois agencies. The Organization does not anticipate any significant adjustment upon final review and determination. At June 30, 2020 and 2019, approximately $1,300,000 and $1,200,000, respectively, of the Organization's grants and contracts receivable were from State of Illinois agencies.

Use of Estimates

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

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other assets and other liabilities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately $934,000. Management does not believe this represents a significant risk to the Organization.

Grants and Contracts and Other Receivables

Grants and contracts and other receivables are carried at original invoice amount. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of these receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding beyond the normal time for collection. No interest is accrued on past due amounts.

Property and Equipment

Property and equipment in excess of $500 are capitalized and recorded at cost. Donated property and equipment are recorded at their estimated fair value on the date acquired. Assets under capital lease obligations and leasehold improvements are depreciated on the straight-line method over the shorter of the lease term or their respective estimated useful lives. Depreciation of the building and improvements, furniture and equipment is computed on the straight-line method over the estimated useful lives of the assets ranging from 5 to 35 years.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Deferred Revenue

Deferred revenue represents amounts received pursuant to certain grant agreements in advance of services performed.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. The Board of Directors retains control over such net assets and may, at its discretion, subsequently use them for other purposes.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At June 30, 2020 and 2019, the Organization had no resources to be maintained in perpetuity.

Contributions and Adoption of Accounting Standards Update (ASU) 2018-08

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

On July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new guidance clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier or hurdle is not achieved. An agreement that includes both is a conditional contribution.

The adoption of ASU 2018-08 did not result in any changes to the presentation of the financial statements. The adoption of this standard also did not result in any changes to previously reported net assets or changes to net assets.

Approximately $129,000 and $195,000 of contributions for the years ended June 30, 2020 and 2019, respectively, were received from board members of the Organization.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement the various programs of Family Focus, Inc. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. During the year ended June 30, 2020, there were $242,931 of contributed services for legal services recognized in the financial statements. There were no contributed services for the year ended June 30, 2019.

Grants and Program Sponsorships

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on square footage, full-time equivalents and other methods.

Note 2: Conditional Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2020, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2020:

Grant	Grant Amount	Earned Through 2020	Funding Available
CDBG - Youth Enrichment	$ 133,848	$ 44,201	$ 89,647
Department of Family and Support Services, Prevention Initiative	818,676	317,454	501,222
Illinois State Board of Education 21CCLC - FY 13 Cohorts	513,000	423,194	89,806
Illinois State Board of Education 21CCLC - 15 Renewal Cohort	540,000	506,359	33,641
Illinois State Board of Education 21CCLC - Aurora	540,000	505,636	34,364
Illinois State Board of Education 21CCLC - 15N Cohorts	540,000	470,785	69,215
Illinois State Board of Education - Prevention Initiative	3,549,948	3,189,107	360,841
Census Illinois Coalition of Immigrant Refugee Rights	46,500	29,916	16,584
	$ 6,681,972	$ 5,486,652	$ 1,195,320

Note 3: Pledges Receivable

Pledges receivable at June 30, 2020, consisted of the following:

Due within one year	$	110,000
Due within two to five years		210,000
		320,000
Less discount		(11,723)
	$	308,277

There were no pledges receivable at June 30, 2019.

Note 4: Debt

The Organization had a revolving line of credit agreement with $1,200,000 of availability, collateralized by the Organization's accounts receivable which was set to originally expire at December 14, 2020. On August 12, 2020, the line of credit availability was increased to $2,000,000 and the maturity date was extended to August 11, 2021. The new line of credit is collateralized by the Organization's accounts receivable and the Organization's building located in Evanston, Illinois. Interest was due monthly at the Lender's Reference Rate plus 1.00% or 5.25% whichever is greater. At June 30, 2020, the rate on the line of credit was 6.50%. There were no borrowings outstanding under the line of credit agreement at June 30, 2020 and 2019.

In February 2011, the Organization obtained a business loan in the amount of $292,294. The business loan is collateralized by a building owned by the Organization and located in Evanston, Illinois. Payments of $3,280, consisting of principal and interest, are due monthly. This loan has a fixed interest rate of 6.15% and a maturity date of February 15, 2021. The balance due on the loan was $25,679 and $62,185 at June 30, 2020 and 2019, respectively.

Annual maturities of long-term debt at June 30, 2020, are as follows:

Year Ending June 30		**Amount**
2021	$	25,679

Note 5: Capital Lease Obligation

In November of 2016, the Organization entered into a capital lease agreement for office equipment for 60 months, expiring November 2021, with interest at 2.11%. The assets have a cost of $442,907 and amortization of the assets under the capital leases was $88,581 each for the years ended June 30, 2020 and 2019, respectively. Accumulated amortization of assets under the capital lease was $317,416 and $228,835 as of June 30, 2020 and 2019, respectively.

The following is a schedule of future annual minimum payments required under the lease as of June 30, 2020:

Year Ending June 30	Amount
2021	$ 93,414
2022	38,922
	132,336
Less amount representing interest	2,071
Present value of future minimum lease payments	$ 130,265

Note 6: Operating Leases

The Organization has entered into various operating leases for certain of its operating centers and its central administrative office. These leases expire at various times through 2026. Rent expense under the leases for the years ended June 30, 2020 and 2019, was approximately $584,000 and $582,000, respectively. Future annual minimum rental commitments under noncancelable operating leases with remaining terms in excess of one year as of June 30, 2020, are as follows:

Year Ending June 30	Amount
2021	$ 371,075
2022	327,464
2023	237,720
2024	150,111
2025	155,644
Thereafter	77,616
	$ 1,319,630

The Organization leases office space in the Weissbourd-Holmes Community Center to other civic and social service organizations under short-term operating leases. Rental income under lease agreements for the years ended June 30, 2020 and 2019, aggregated approximately $215,000 and $211,000, respectively.

Note 7: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019, are restricted for the following purposes:

	2020	2019
Subject to expenditure for specified purpose		
Right From the Start	$ -	$ 9,107
Technology upgrades	64,538	-
Safe Start	20,300	3,007
Kiphart Family Foundation	288,838	-
	$ 373,676	$ 12,114

Net Assets Released From Restrictions

For the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses and satisfying the restricted purposes or by occurrences of other events specified by donors as follows:

	2020	2019
Purpose restrictions accomplished		
Fatherhood Initiative	$ -	$ 107,556
Right From the Start	9,107	105,893
Technology upgrades	35,462	-
Safe Start	77,145	78,364
	$ 121,714	$ 291,813

Note 8: Board-Designated Endowment

The Organization’s endowment consists of a board-designated endowment fund as described in Note 1. As required by accounting principles generally accepted in the United States of America, 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.

During the year ended June 30, 2020, there were contributions to the board-designated endowment net assets. The board-designated endowment net assets totaled $1,015,000 and $1,001,559 at June 30, 2020 and 2019, respectively.

The endowment assets are typically invested in money market accounts or certificates of deposit which bear interest at a market rate. A portion of the endowment fund is designated specifically for the Aurora Center and interest earnings may be appropriated to fund programs or other costs of the Center.

Note 9: Defined Contribution Plan

The Organization has a defined contribution retirement plan for employees who have completed one year of service. Effective January 1, 2020, the Organization contributes a match of up to 3% of the employee contribution, and additional 0.5% for each additional employee contribution up to 5%. Total contributions for the years ended June 30, 2020 and 2019, were approximately $81,000 and $60,000, respectively.

Note 10: Refundable Advance – Paycheck Protection Program (PPP) Loan

On April 16, 2020, the Organization received a PPP loan established by the CARES Act in the amount of $1,894,500. The Organization has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*.

Under ASC Topic 958-605, revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements, incurring eligible expenditures, and the forgiveness application has been submitted and approved. The Organization anticipates using all of the proceeds to make eligible payments, and therefore, expects substantially all of the loan will be forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required.

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 1,114,667	$ 671,655
Grants and contracts receivable	2,460,491	1,917,227
Other receivables	63,696	117,441
Less donor imposed restrictions	(373,676)	(12,114)
	$ 3,265,178	$ 2,694,209

The Organization regularly monitors liquidity to meet both operating needs and to fulfill the requirements of net assets with donor restrictions. The Organization is substantially supported by contributions with and without donor restrictions. The Organization has a policy to maintain available cash and short-term investments to meet thirty days of normal operating expenses or approximately $1,000,000. Additionally, the Organization has a $2,000,000 line of credit agreement with no borrowings as of June 30, 2020 (see Note 4). As part of the Organization's liquidity management plan, cash in excess of monthly requirements is invested in money market funds.

Note 12: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*, amending its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization expects to first apply the ASU during its fiscal year ending June 30, 2021. The impact of applying the ASU has not yet been determined.

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases. The Organization first expects to first apply the ASU during its fiscal year ending June 30, 2023. The impact of applying the ASU has not yet been determined.

Note 13: Subsequent Events

In June 2020, the Board of Directors of the Organization approved, in principle, a merger with another Illinois 501(c)(3) not-for-profit corporation whose mission is compatible with the Organization's. The Organizations merged effective January 1, 2021.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through January 13, 2021, which is the date the financial statements were available to be issued.

Supplementary Information

Family Focus, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed-Through the Illinois State Board of Education				
21st Century Community Learning Centers *	84.287	S287C180013	$ -	$ 1,905,975
U.S. Department of Health and Human Services				
Passed-Through the City of Chicago Department of Family & Support Services				
Head Start Cluster				
Head Start, Early Head Start and Child Care Partnership Program	93.600	113809	-	240,564
Passed-Through the Illinois Department of Human Services				
Maternal, Infant and Early Childhood Home Visiting Cluster				
Affordable Care Act (ACA) - Maternal, Infant and Early Childhood	93.870	FCSYV04099	-	904,109
Passed-Through the Ounce of Prevention Fund				
Social Services Block Grant - Lawndale	93.667	2020-1T	-	80,526
Social Services Block Grant - Aurora	93.667	2020-3T	-	97,666
Social Services Block Grant - DuPage	93.667	2020-79D	-	24,028
Social Services Block Grant - Englewood	93.667	2020-60T	-	38,119
			-	240,339
Total U.S. Department of Health and Human Services			-	1,385,012
Total Expenditures of Federal Awards			$ -	$ 3,290,987

* Denotes major federal financial assistance program.

Family Focus, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Family Focus, Inc. under programs of the federal government for the year ended June 30, 2020. 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 Family Focus, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Family Focus, Inc.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Family Focus, Inc. has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The Organization did not have any of the following: noncash assistance, federal insurance, or federal loans outstanding for the year ended June 30, 2020.

BKD
CPAs & Advisors

1901 S. Meyers Road, Suite 500 | Oakbrook Terrace, IL 60181-5209
630.282.9500 | Fax 630.282.9495 | bkd.com

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*

Independent Auditor's Report

Board of Directors
Family Focus, Inc.
Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Focus, Inc. (Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon, dated January 13, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 determination of financial statement amounts. 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 results of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oakbrook Terrace, Illinois
January 13, 2021

BKD
CPAs & Advisors

1901 S. Meyers Road, Suite 500 | Oakbrook Terrace, IL 60181-5209
630.282.9500 | Fax 630.282.9495 | bkd.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Family Focus, Inc.
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Family Focus, Inc.'s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors
Family Focus, Inc.
Page 2

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Oakbrook Terrace, Illinois
January 13, 2021

Family Focus, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency (ies)?	☐ Yes	☒ None reported
Material weakness (es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency (ies)?	☐ Yes	☒ None reported
Material weakness (es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

Family Focus, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

☐ Yes ☒ No

7. The Organization's major program was:

Cluster/Program	CFDA Number
21st Century Community Learning Centers	84.287

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Family Focus, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
	No matters are reportable.	