Family Focus

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021

Family Focus
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Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Family Focus
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Family Focus, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the six month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Family Focus as of June 30, 2021, and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023, 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.

FORVIS, LLP

Oakbrook Terrace, Illinois
February 20, 2023

Family Focus

Consolidated Statement of Financial Position

June 30, 2021

Assets

Current Assets	
Cash and cash equivalents	$ 1,540,138
Grants and contracts receivable	4,925,269
Other receivables	150,445
Pledges receivable, net (current)	185,000
Deferred rent asset	14,251
Prepaid expenses and other assets	92,010
Investments	21,052,556
Total current assets	27,959,669
Noncurrent Assets	
Investments	1,455,921
Beneficial interest in trust	9,661,770
Pledges receivable, net (noncurrent)	167,278
Property and equipment, net	
Land	78,804
Building and improvements	11,222,458
Leasehold improvements	178,710
Furniture and equipment	2,982,286
	14,462,258
Less accumulated depreciation and amortization	7,569,021
Total property and equipment, net	6,893,237
Security deposits	37,200
Total noncurrent assets	18,215,406
	$ 46,175,075

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	$ 1,273,459
Due to grantors	84,607
Deferred revenue	251,128
Current portion of capital lease obligation	38,718
Current portion of long-term debt	136,125
Total current liabilities	1,784,037
Noncurrent Liabilities	
Line of credit	2,602,361
Accrued pension liability	638,875
Long-term debt, net of current maturities	3,332,269
Other long-term liabilities	6,278
Total noncurrent liabilities	6,579,783
Total liabilities	8,363,820
Net Assets	
Without donor restrictions	
Undesignated	6,141,438
Board designated	15,786,427
Total without donor restrictions	21,927,865
With donor restrictions	15,883,390
Total net assets	37,811,255
	$ 46,175,075

Family Focus
Consolidated Statement of Activities
Six Month Period Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 808,478	$ 395,281	$ 1,203,759
Grants	13,400,130	-	13,400,130
Rental income	194,091	-	194,091
Training income and other	46,432	-	46,432
SBA Paycheck Protection Program loan forgiveness	2,935,602	-	2,935,602
Net investment income	1,478,559	1,090,447	2,569,006
Other	63,842	-	63,842
Net assets released from restrictions	220,182	(220,182)	-
Total support and revenue	19,147,316	1,265,546	20,412,862
Expenses			
Program services			
Early Childhood Services	6,498,258	-	6,498,258
Youth and Family Services	5,953,326	-	5,953,326
Housing / Advocacy	152,270	-	152,270
Community Center	227,219	-	227,219
Supporting services			
Management and general	3,487,894	-	3,487,894
Fundraising	396,188	-	396,188
Total expenses	16,715,155	-	16,715,155
Changes in Net Assets Before Other Income	2,432,161	1,265,546	3,697,707
Other Income			
Change in fair value of beneficial interest in perpetual trusts	-	658,280	658,280
Pension related changes other than net periodic pension cost	479,372	-	479,372
Total other income	479,372	658,280	1,137,652
Change in Net Assets	2,911,533	1,923,826	4,835,359
Net Assets, Beginning of Period	19,016,332	13,959,564	32,975,896
Net Assets, End of Period	$ 21,927,865	$ 15,883,390	$ 37,811,255

Family Focus

Consolidated Statement of Functional Expenses

Six Month Period Ended June 30, 2021

	Program Services				
	Early Childhood Services	Youth and Family Services	Housing/ Advocacy	Community Center	Total Program Services
Salaries	$ 4,340,480	$ 1,779,744	$ 94,922	$ 98,024	$ 6,313,170
Employee health and retirement benefits and other benefits	520,219	213,558	8,981	10,722	753,480
Payroll taxes	312,350	171,889	8,786	8,142	501,167
Total salaries and related expenses	5,173,049	2,165,191	112,689	116,888	7,567,817
Stipends	-	414,920	-	1,200	416,120
Professional fees	147,411	340,932	12,665	8,832	509,840
Insurance	32,799	16,022	652	982	50,455
Occupancy	286,055	138,066	6,744	52,389	483,254
Telephone	147,794	65,980	3,317	3,362	220,453
Office expenses	183,451	60,999	4,177	11,177	259,804
Printing	1,432	1,868	6	-	3,306
Postage and delivery	2,907	3,650	279	138	6,974
Equipment rentals	4,711	1,064	644	1,034	7,453
Equipment repairs and maintenance	30,794	12,070	-	1,259	44,123
Program supplies, catering and food	96,392	159,153	-	733	256,278
Special events	3,973	9,026	-	-	12,999
Special assistance to clients	45,202	2,481,208	3,532	-	2,529,942
Local transportation	12,084	8,566	1,310	1,944	23,904
Conference and meetings	40,894	39,869	2	2,884	83,649
Recruiting	74	592	-	-	666
In-kind services	-	-	-	-	-
Interest	32,600	-	-	18	32,618
Miscellaneous	13,594	17,037	1,570	1,265	33,466
Total expenses before depreciation and amortization	6,255,216	5,936,213	147,587	204,105	12,543,121
Depreciation and amortization	243,042	17,113	4,683	23,114	287,952
Total expenses	$ 6,498,258	$ 5,953,326	$ 152,270	$ 227,219	$ 12,831,073

Management and General	Fundraising	Total Supporting Services	Total Expenses
Supporting Services			
$ 2,007,484	$ 97,727	$ 2,105,211	$ 8,418,381
88,741	12,609	101,350	854,830
60,797	94,009	154,806	655,973
2,157,022	204,345	2,361,367	9,929,184
-	-	-	416,120
258,280	101,197	359,477	869,317
2,909	862	3,771	54,226
203,847	10,170	214,017	697,271
120,123	3,413	123,536	343,989
174,425	756	175,181	434,985
4,680	27,626	32,306	35,612
5,163	2,204	7,367	14,341
10,162	405	10,567	18,020
33,020	2,964	35,984	80,107
524	201	725	257,003
104	4,603	4,707	17,706
-	-	-	2,529,942
566	197	763	24,667
44,792	135	44,927	128,576
2,289	-	2,289	2,955
16,463	-	16,463	16,463
65,402	-	65,402	98,020
155,573	37,110	192,683	226,149
3,255,344	396,188	3,651,532	16,194,653
232,550	-	232,550	520,502
$ 3,487,894	$ 396,188	$ 3,884,082	$ 16,715,155

Family Focus

Consolidated Statement of Cash Flows

Six Month Period Ended June 30, 2021

Operating Activities	
Change in net assets	$ 4,835,359
Items not requiring (providing) cash	
Depreciation and amortization	520,502
Net realized and unrealized gains on investments	(2,183,407)
Gains on beneficial interest in perpetual trust	(658,280)
SBA Paycheck Protection Program loan forgiveness	(2,935,602)
Changes in	
Grants and contracts receivable	(1,339,784)
Pledges receivable	(140,281)
Other receivables	(66,245)
Deferred rent asset	(14,251)
Prepaid expenses and other assets	(22,425)
Accounts payable, accrued expenses and other liabilities	(441,003)
Due to grantors	84,607
Pension liability	(565,680)
Deferred revenue	(2,029,074)
Other long-term liabilities	(26,210)
Net cash used in operating activities	(4,981,774)
Investing Activities	
Purchase of property and equipment	(18,037)
Proceeds from sales and maturities of investments	4,449,166
Purchases of investments	(5,276,876)
Net cash used in investing activities	(845,747)
Financing Activities	
Capital lease payments	(46,015)
Proceeds from line of credit	2,602,361
Payments on line of credit	(2,000,000)
Principal payments on long-term debt	(102,677)
Net cash provided by financing activities	453,669
Net Decrease in Cash and Cash Equivalents	(5,373,852)
Cash and Cash Equivalents, Beginning of Period	6,913,990
Cash and Cash Equivalents, End of Period	$ 1,540,138
Supplemental Cash Flows Information	
Cash paid for interest	$ 68,160
Noncash contributions recognized as in-kind revenues/expenses	$ 16,463

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

Nature of Operations –

Family Focus (Organization) is a nonprofit organization that invests in strengthening families and their children in Chicago and northeastern Illinois so they build social capital and achieve upward economic mobility through high-quality innovative programs and services, grounded in anti-racism and social justice.

On January 1, 2021, Chicago Child Care Society merged with Family Focus Legacy (formerly Family Focus, Inc.) creating a new organization taking the name of Family Focus. The Organization's mission is to provide early childhood education, youth development, and family support services in under-resourced communities across Northeast Illinois. The creation of the new entity from the two organizations expanded their geographic footprint and continuum of services, allowing Family Focus to serve more families and children.

Sarah Hackett Stevenson Memorial (Memorial) was incorporated in 1969 to assist women and children in need of temporary aid, to assist families in maintaining their family units within the community, and to offer such services to parents and children that will further these purposes. The Board of Directors of the Memorial is comprised entirely of members who also serve as the directors of the Organization. In addition, the Memorial has entered into an agreement with the Organization which provides that the annual income earned from the investment of the Memorial's assets is to be used to support the operation of the Organization's program operations. Accordingly, the accompanying consolidated financial statements include the accounts of both the Organization and the Memorial.

Family Focus Legacy continued to operate after the merge on January 1, 2021 but only in relation to the active grant agreements. Family Focus Legacy will dissolve when the active grant programs at the time of the merge have ended. Family Focus Legacy is a nonprofit organization that promotes the wellbeing of children from birth by supporting and strengthening their families. Family Focus Legacy is wholly owned by the Organization and therefore included in the accompanying consolidated financial statements.

Inter-organizational accounts and transactions have been eliminated in consolidation.

There are 11 direct service centers throughout Chicago and Northeast Illinois providing holistic family support services to families and children enrolled in center programming, home visits, emergency assistance services, and educational programs.

Use of Estimates

The preparation of the consolidated 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 consolidated 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.

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, 2021, the Organization's cash accounts exceeded federally insured limits by approximately $1,078,000. 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.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Certificates of deposit are stated at cost plus accrued interest.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Dividend income is recognized on the ex-dividend date. Interest income is recognized on the accrual basis.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment in excess of $5,000 are capitalized and recorded at cost, less accumulated depreciation and amortization. Donated property and equipment are recorded at their estimated fair value on the date acquired. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major deprecation classification of property and equipment are as follows:

Building	30 - 45 years
Building improvements	10 - 25 years
Furniture and equipment	2 - 10 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 six month period ended June 30, 2021.

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.

Contributions

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 statement 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.

Family Focus
Notes to Consolidated Financial Statements
June 30, 2021

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement the various programs of the Organization. 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 period ended June 30, 2021, there were $16,463 of contributed services for legal services recognized in the consolidated financial statements.

Government Grants and Contracts

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 consolidated statement of activities. The consolidated statement of functional expenses presents 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, units of service and other methods.

Change in Accounting Principle

On January 1, 2021, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using a modified retrospective method of adoption to all contracts with customers at January 1, 2021.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services.

The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 did not result in any changes in presentation of the consolidated financial statements since the impact was immaterial.

Note 2: Pledges Receivable

Pledges receivable at June 30, 2021, consisted of the following:

Due within one year	$	185,000
Due within two to five years		175,000
		360,000
Less discount		(7,722)
	$	352,278

Discount rates based on 10-year treasury bill rates and 1.92% utilized for the six month period ended June 30, 2021.

Note 3: Beneficial Interest in Perpetual Trusts

The Organization has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of some or all of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts.

At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature equal to its proportionate share of the fair value of the trust assets is recorded in the consolidated statement of activities. A beneficial interest in a perpetual trust is recorded in the consolidated statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust’s assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

The estimated value of the expected future cash flows is $9,661,770 which represents the fair value of the trust assets at June 30, 2021. The income from these trusts for the six month period ended June 30, 2021, is $658,280 recognized as change in beneficial trust revenue on the consolidated statement of activities.

Family Focus
Notes to Consolidated Financial Statements
June 30, 2021

Note 4: Line of Credit

The Organization had a revolving line of credit agreement dated August 12, 2020, with $2,000,000 of availability and maturity date of August 11, 2021. The line of credit was 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. There were no borrowings outstanding under the line of credit agreement at June 30, 2021, and the line of credit was not renewed at the date of maturity.

The Organization entered into a line of credit in the amount of $5,000,000 on June 4, 2021, with a maturity date of June 4, 2023. Interest is due monthly and payable at a rate of 1.85% over the Index. At June 30, 2021, the rate on the line of credit was 1.95%. The borrowings outstanding under the line of credit agreement at June 30, 2021, was $2,602,361.

Note 5: Long-Term Debt

Note payable - bank (A)	$	1,861,897
Mortgage payable - bank (B)		1,606,497
	$	3,468,394

(A) The Organization has a secured commercial term loan dated January 31, 2020, in the amount of $2,000,000. The loan bears interest at the one-month LIBOR rate plus 2.00%, which was 1.93% as of June 30, 2021, with monthly interest and principal payments of $11,778 and remaining principal and interest due June 4, 2026. The loan was refinanced as of June 4, 2021, in the amount of $1,870,333. The new agreement bears interest at a specified index plus 1.85%, with monthly interest and principal payments of $9,961 and remaining principal and interest due June 4, 2026. The loan is secured by all inventory, chattel paper, accounts, equipment, general intangibles and fixtures, except any such items located at the Organization's South Shore location.

(B) The Organization has a mortgage loan on its South Shore facility with an origination date of January 31, 2020, in the amount of $1,676,875 with monthly principal and interest payments of $10,819 through June 1, 2028. The interest rate is fixed at 4.875%. The loan is secured by the building located at the Organization's South Shore location.

Aggregate annual principal maturities of notes payable as of June 30, 2021, are as follows:

2022	$ 136,125
2023	140,986
2024	140,382
2025	150,004
2026	1,583,066
Thereafter	1,317,831
	$ 3,468,394

Note 6: Capital Lease

The Organization has a capital lease dated in November of 2016 and is for office equipment with a lease period of 60 months. The capital lease expires November 2021 and has an interest rate of 2.11%. The capital lease assets have a cost of $442,907 and accumulated amortization was $405,998 as of June 30, 2021.

The following is a schedule of future annual minimum payments required under the lease as of June 30, 2021:

Year Ending June 30	Amount
2022	$ 38,922
Less amount representing interest	204
Present value of future minimum lease payments	$ 38,718

Note 7: Operating Leases

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 period ended June 30, 2021, aggregated approximately $85,306.

The Organization has a ten-year noncancelable lease as lessor with a commencement date of October 1, 2017. The lease calls for monthly rent beginning at $16,661 in the first year and increasing annually by two percent. Rent income under this lease was $108,785. Payments due to the Organization under this lease are as follows:

Year Ending June 30	Amount
2022	$ 211,320
2023	214,502
2024	217,748
2025	221,059
2026	224,436
Thereafter	285,067
	$ 1,374,132

The Organization has a three-year noncancelable lease agreement originally dated July 1, 2019 for an operating facility in South Holland, Illinois. The lease calls for monthly rent of $3,000. Rent expense under this lease was $18,000.

The Organization also assumed various operating leases for certain operating centers and its central administrative office. These leases expire at various times through 2026.

Rent expense under the leases for the six month period ended June 30, 2021, was approximately $604,000.

Future annual minimum rental commitments under these leases are as follows:

Year Ending June 30	Amount
2022	$ 363,464
2023	237,720
2024	150,111
2025	155,644
2026	77,616
	$ 984,555

Note 8: Pension and Other Postretirement Benefit Plans

Salary-Deferred 401(k) Plan

The Organization has a salary-deferred plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. The Organization contributes 4% of eligible employees' salaries, while employees can contribute 1% of their salary unless they choose to opt out of the plan. If employees contribute the 1%, the Organization matches that 1%. For the period ended June 30, 2021, the Organization's contribution to the 401(k) plan was $$54,926.

Defined Benefit Plan

The Organization sponsors a noncontributory defined benefit pension plan covering all employees who met the eligibility requirements prior to January 1, 2011, when the previous entity froze the plan. The Organization assumed this sponsorship on January 1, 2021, as part of the merger (see Note 1). Prior to December 31, 2010, employees became participants after the attainment of age 21 with one year of service. The normal retirement benefit under the plan is based upon the employee's compensation over five consecutive plan years out of the final ten years of employment that produces the highest average. Final average earnings were frozen for all participants effective December 31, 2010. The Organization's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. For the period ended June 30, 2021, the Organization contributed $92,566 to the pension plan.

The Organization uses June 30, 2021 measurement dates for the plan period 2021. Information about the plan's funded status is summarized as follows:

	Pension Benefits
Benefit obligation	$ 3,647,359
Fair value of plan assets	3,008,484
Funded status	$ (638,875)

Liabilities recognized in the consolidated statement of financial position as of June 30, 2021:

	Pension Benefits
Accrued pension liability	$ 638,875

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of the following for the six month period ended June 30, 2021:

		Pension Benefits
Net gain	$	(422,818)
Amortization of net gain		(56,554)
	$	(479,372)

The accumulated benefit obligation for the defined benefit pension plan was $3,647,359 at June 30, 2021.

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of June 30, 2021:

Accumulated benefit obligation	$	3,647,359
Fair value of plan assets	$	3,008,484

Information for pension plans with a projected benefit obligation in excess of plan assets as of June 30, 2021:

Projected benefit obligation	$	3,647,359
Fair value of plan assets	$	3,008,484

Other significant balances and costs for the six months ended June 30, 2021:

		Pension Benefits
Employer contributions	$	92,566
Benefits paid		75,009
Net periodic benefit costs		6,258

The components of net periodic benefit cost other than the service cost components was $6,258 for the six month period ended June 30, 2021, and is included in the expenses in the consolidated statement of activities.

Significant assumptions include:

Weighted-average assumptions used to determine benefit obligations for six month period ended June 30, 2021:

Discount rate	2.60%

Weighted-average assumptions used to determine benefit costs for the six month period ended June 30, 2021:

Discount rate	2.30%
Expected return on plan	7.25%

The Organization has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The estimated long-term rate of return of 7.25% remained unchanged from the previous fiscal period.

The Organization invests the defined benefit pension plan assets in a professionally managed portfolio of fixed income, equity mutual funds and other. The current target asset allocation for the plan is approximately 65-70% equity, 20-25% fixed income and 5-10% other. The expected rate of return is based on both historical returns as well as the outlook of future returns given the current economic conditions with a greater weight toward the outlook of future returns.

The target asset allocation percentages for the six month period ended June 30, 2021, were as follows:

	Pension Benefits Not To Exceed
Equity securities	70%
Fixed income	20%
Other (cash and cash equivalents)	10%
	100%

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include money market funds, common stocks, and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include U.S. government and agency issued and corporate bonds. Significant inputs and valuation techniques used in measuring fair values include quoted prices for similar assets in active markets.

The fair values of the Organization's pension plan assets at June 30, 2021, by asset class are as follows:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities				
Money market funds	$ 268,285	$ 268,285	$ -	$ -
Common stocks	261,378	261,378	-	-
Mutual funds	1,848,655	1,848,655	-	-
U.S. government and agency issued bonds	48,905	-	48,905	-
Corporate bonds	538,932	-	538,932	-
	$ 2,966,155	$ 2,378,318	$ 587,837	$ -

At June 30, 2021, plan assets also include cash equivalents and other assets of $42,329.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2021:

2022	$ 188,414
2023	196,409
2024	195,447
2025	192,676
2026	189,205
2027-2031	911,487
	$ 1,873,638

Note 9: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2021, have been designated for the following purposes:

Undesignated	$ 6,141,438
Board designated	15,786,427
Net assets without donor restrictions	$ 21,927,865

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021, are restricted for the following purposes:

Subject to expenditure for specified purpose and/or timing	
Unappropriated income from donor-restricted endowment funds	$ 4,070,421
Early Head Start-Blowitz Ridway Foundation	110,000
S. Rinder Memorial	98,308
Next Step	35,000
Kenneth Watson Education Fund	21,605
Extended Family Summer Camp Fund	5,259
Junior Board	2,828
Safe Start	9,719
Paul M Angell Family Foundation	150,000
Forefront	50,000
McCormick Tribune Foundation	20,000
Kiphart Family Foundation	192,559
	4,765,699
Not subject to spending policy or appropriation	
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Organization	9,661,770
Endowments	
Sarah Hackett Stevenson Memorial Endowment invested in perpetuity by the Society, the income from which is expendable to support counseling services of the Organization	1,455,921
Net assets with donor restriction	$ 15,883,390

Net Assets Released From Restrictions

For the period ended June 30, 2021, 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:

Purpose and timing restrictions accomplished		
Technology upgrades	$	33,882
Safe Start		10,000
Paul M Angell Family Foundation		75,000
Kenneth Watson Education Fund		101,300
	$	220,182

Note 10: Endowment

The Organization's governing body is subject to the State of Illinois *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of two individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2021.

The composition of net assets by type of endowment fund at June 30, 2021 was:

	Without Donor Restrictions	With Donor Donor Restrictions	Total
Board-designated endowment funds	$ 15,786,427	$ -	$ 15,786,427
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,455,921	1,455,921
Accumulated investment gains	-	4,070,421	4,070,421
Total endowment funds	$ 15,786,427	$ 5,526,342	$ 21,312,769

Change in endowment net assets for the period ended June 30, 2021 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2021	$ 14,164,619	$ 4,435,895	$ 18,600,514
Investment return			
Investment income, net	95,952	-	95,952
Net appreciation (realized and unrealized)	1,525,856	1,090,447	2,616,303
	1,621,808	1,090,447	2,712,255
Other changes			
Amounts released for expenditure	-	-	-
Endowment net assets, June 30, 2021	$ 15,786,427	$ 5,526,342	$ 21,312,769

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other expenses supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization’s policies, endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization 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.

The Organization has a spending policy of appropriating for expenditure each year 4.5% to 5.5% of its endowment fund's average fair value over the prior 12 quarters through the year-end preceding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11: Grants

The Organization is funded by various grants and contracts that constitute a substantial portion of its revenue. Loss of funding from these sources would require the Organization to seek additional revenue or secure new grants in order to continue to provide its current level of services. The following are the grantors where funding received is more than 10% of total grant revenue:

State of Illinois Department of Human Services	29.96%
Illinois State Board of Education	25.46%
City of Chicago Department of Family and Support Services	21.41%

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 consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2021, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2021:

Grant	Grant Amount	Earned Through June 30, 2021	Funding Available
Illinois State Board of Education - 21st Century School Grants	$ 2,322,038	$ 1,733,110	$ 588,928
City of Chicago Department of Family and Support Services Grants	2,191,373	1,431,299	760,074
Justice Advisory Council Youth Support Grant	100,000	37,374	62,626
Illinois Public Health Association Pandemic Health Navigation Grant	321,670	145,167	176,503
	$ 4,935,081	$ 3,346,950	$ 1,588,131

Note 12: Paycheck Protection Program (PPP) Loan

The Organization has a PPP loan formerly acquired before the merge (see Note 16) by Chicago Child Care Society dated April 8, 2020, established by the CARES Act in the amount of $1,041,102 and has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. Any forgiveness of the loan is recognized as a gain in the consolidated financial statements in the period the debt is legally released. The loan was forgiven by the Small Business Administration on March 29, 2021, and recognized as revenue on the consolidated statement of activities.

The Organization has a PPP loan formerly acquired before the merge (see Note 16) by Family Focus Legacy dated April 13, 2020, established by the CARES Act in the amount of $1,894,500 and has elected to account for the funding as a loan in accordance with ASC Topic 470. Any forgiveness of the loan is recognized as a gain in the consolidated financial statements in the period the debt is legally released. The loan was forgiven by the Small Business Administration on January 26, 2021, and recognized as revenue on the consolidated statement of activities.

Note 13: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2021:

Cash and cash equivalents	$ 1,540,138
Grants and contracts receivable	4,925,269
Other receivables	150,445
Pledges receivable, net (current)	185,000
Investments	22,508,477
Beneficial interest in trust	9,661,770
Less donor imposed restrictions	(15,883,390)
	$ 23,087,709

The Organization is substantially supported by grants and contributions without donor restrictions. The Organization manages its liquidity following these guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid asset to fund near-term operating needs. As part of the Organization's liquidity management plan, the Organization invests in cash and marketable securities. Another part of the plan is the approval of the annual budget in June every year. The Organization forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves quarterly. During the period ended June 30, 2021, the level of liquidity and reserves was managed within the policy requirements. Although the Organization does not intend to spend board-designated amounts for other than their designated uses, these amounts could be made available if necessary.

Note 14: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities				
Cash and money market funds in brokerage accounts	$ 3,900,268	$ 3,900,268	$ -	$ -
Common stocks	13,319,136	13,319,136	-	-
Mutual funds	2,210,708	2,210,708	-	-
Corporate bonds	3,078,365	-	3,078,365	-
Beneficial interest in perpetual trust funds	9,661,770	-	-	9,661,770
	$ 32,170,247	$ 19,430,112	$ 3,078,365	$ 9,661,770

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trust

The fair value of the beneficial interest in trust assets represents the Organization's proportionate interest in the value of three trust funds. Each trust fund includes a variety of investments, including equity securities, fixed income investments and mutual funds. The fair value of each trust was determined by management using information provided by the account's trustee. Due to the nature of the Organization's proportionate interest in the trust funds as being a significant unobservable input, the interest is classified within Level 3 of the hierarchy.

Transfers Between Levels

The Organization assesses the levels at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of the transfer between levels of the fair value hierarchy. There were no such transfers as of June 30, 2021.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable (Level 3) inputs:

Balance, January 1, 2021	$ 9,003,490
Change in fair value	658,280
Balance, June 30, 2021	$ 9,661,770

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Pension and Other Postretirement Benefit Obligations

The Organization has a noncontributory defined benefit pension whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the Projected Unit Credit Actuarial Cost Method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Note 16: Merger

The Organization was formed on January 1, 2021, as the result of a merger between two existing not-for-profit entities, Chicago Child Care Society and Family Focus Legacy. Both of these entities shared the common mission of providing education and social service programs to address needs of vulnerable children and their families. Through their merger, the entities seek to further their common mission by providing early childhood education, youth development, and family support services in under-resourced communities across northeast Illinois.

The merger has been accounted for using the carryover method whereby the beginning assets, liabilities and net assets of the Organization are based on their carrying amounts in the separate financial statements of Chicago Child Care Society and Family Focus Legacy as of January 1, 2021. As of the date of the merge, there were no inter-entity receivables. The following table reflects the amounts recognized as of January 1, 2021, for each major class of assets and liabilities and each class of net assets:

	Chicago Child Care Society	Family Focus, Inc.	Total
Assets			
Cash and cash equivalents	$ 231,571	$ 6,682,419	$ 6,913,990
Grants and contracts receivable	1,679,321	1,906,164	3,585,485
Investments	19,497,360	-	19,497,360
Other receivables	30,716	53,484	84,200
Pledges receivable, net	-	211,997	211,997
Prepaid expenses and other assets	9,944	59,641	69,585
Property and equipment, net	5,672,336	1,723,366	7,395,702
Beneficial interest in trust	9,003,490	-	9,003,490
Security deposits	-	37,200	37,200
Total assets	36,124,738	10,674,271	46,799,009
Liabilities			
Accounts payable and accrued expenses	311,363	1,403,099	1,714,462
Deferred revenue	237,887	2,042,315	2,280,202
Line of credit	-	2,000,000	2,000,000
Capital lease obligations	-	84,733	84,733
Long-term debt	-	1,901,055	1,901,055
Accrued pension liability	1,204,555	-	1,204,555
Other long-term liabilities	4,605,618	32,488	4,638,106
Total liabilities	6,359,423	7,463,690	13,823,113
Net Assets			
Without donor restrictions	16,051,630	2,964,702	19,016,332
With donor restrictions	13,713,685	245,879	13,959,564
Total net assets	$ 29,765,315	$ 3,210,581	$ 32,975,896

Note 17: Future Changes in Accounting Principles

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 consolidated 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 18: Subsequent Events

Subsequent events have been evaluated through February 20, 2023, which is the date the consolidated financial statements were available to be issued.