Family Focus

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022

Family Focus
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Contents

FORV/S

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Independent Auditor's Report

Board of Directors
Family Focus
Chicago, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Family Focus, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Family Focus, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of Family Focus' 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 Family Focus' 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 Family Focus' internal control over financial reporting and compliance.

FORVIS, LLP

Oakbrook Terrace, Illinois
June 30, 2023

Family Focus

Consolidated Statement of Financial Position

June 30, 2022

Assets

Current Assets	
Cash and cash equivalents	$ 801,803
Grants and contracts receivable	5,880,250
Other receivables	86,152
Pledges receivable, net (current)	175,000
Prepaid expenses and other assets	14,820
Investments	18,526,080
Total current assets	25,484,105
Noncurrent Assets	
Investments	1,455,921
Beneficial interest in trust	8,083,398
Pledges receivable, net (noncurrent)	21,279
Property and equipment, net	
Land	78,804
Building and improvements	11,320,188
Leasehold improvements	178,710
Furniture and equipment	2,539,379
	14,117,081
Less accumulated depreciation and amortization	8,088,470
Total property and equipment, net	6,028,611
Security deposits	37,200
Total noncurrent assets	15,626,409
	$ 41,110,514

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	$ 1,607,211
Due to grantors	34,336
Deferred revenue	108,661
Line of credit	3,240,000
Current portion of long-term debt	140,986
Total current liabilities	5,131,194
Noncurrent Liabilities	
Deferred rent	39,338
Accrued pension liability	220,578
Long-term debt, net of current maturities	3,192,891
Other long-term liabilities	8,648
Total noncurrent liabilities	3,461,455
Total liabilities	8,592,649
Net Assets	
Without donor restrictions	
Undesignated	4,754,773
Board designated	14,086,371
Total without donor restrictions	18,841,144
With donor restrictions	13,676,721
Total net assets	32,517,865
	$ 41,110,514

Family Focus
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	1,678,472	$ 704,001	$ 2,382,473
Contributions for nonfinancial assets	90,782	-	90,782
Grants	21,847,076	-	21,847,076
Rental income	393,604	-	393,604
Program fees	142,514	-	142,514
Net assets released from restrictions	539,910	(539,910)	-
Total support and revenue	24,692,358	164,091	24,856,449
Expenses			
Program services			
Early Childhood Education and Care	15,143,838	-	15,143,838
Youth Services	3,821,519	-	3,821,519
Family Support	3,037,774	-	3,037,774
Community Center	113,042	-	113,042
Supporting services			
Management and general	3,466,139	-	3,466,139
Fundraising	786,621	-	786,621
Total expenses	26,368,933	-	26,368,933
Changes in Net Assets Before Other Income	(1,676,575)	164,091	(1,512,484)
Other Income			
Net investment income (expense)	(1,598,677)	(792,388)	(2,391,065)
Change in fair value of beneficial interest in perpetual trusts	-	(1,578,372)	(1,578,372)
Pension related changes other than net periodic pension cost	188,531	-	188,531
Total other income	(1,410,146)	(2,370,760)	(3,780,906)
Change in Net Assets	(3,086,721)	(2,206,669)	(5,293,390)
Net Assets, Beginning of Year	21,927,865	15,883,390	37,811,255
Net Assets, End of Year	$ 18,841,144	$ 13,676,721	$ 32,517,865

Family Focus
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				
	Early Childhood Education and Care	Youth	Family Support	Community Center	Total Program Services
Salaries	$ 9,097,508	$ 2,092,666	$ 1,755,935	$ -	$ 12,946,109
Employee benefits and payroll taxes	2,434,126	477,085	486,027	-	3,397,238
Total salaries and related expenses	11,531,634	2,569,751	2,241,962	-	16,343,347
Professional and consulting fees	603,551	441,978	272,555	1,150	1,319,234
Stipends	-	187,223	20,840	270	208,333
Insurance	98,073	26,852	19,607	-	144,532
Occupancy	818,335	107,811	174,731	44,257	1,145,134
Telecommunications	309,932	74,191	66,451	17	450,591
Office supplies	187,776	44,547	14,365	-	246,688
Program supplies	471,721	161,081	28,140	38	660,980
Photography, design, and graphics	4,950	1,626	87	-	6,663
Postage and delivery	7,728	1,279	2,507	-	11,514
Advertising	3,288	22	4	-	3,314
Equipment and related expenses	184,821	57,725	35,198	-	277,744
Program events	26,217	41,002	12,932	-	80,151
Participant assistance	90,657	3,664	70,619	2,336	167,276
Staff transportation	53,730	3,729	8,584	-	66,043
Conference and related expenses	816	29,793	1,674	-	32,283
Awards and gifts	821	25	13	-	859
Interest	38,468	-	-	-	38,468
Staff related expenses	77,064	30,882	8,996	-	116,942
Property taxes	99,528	2,294	1,256	17,208	120,286
Inkind	-	-	39,076	-	39,076
Miscellaneous	55,298	1,560	9,106	791	66,755
Total expenses before depreciation and amortization	14,664,408	3,787,035	3,028,703	66,067	21,546,213
Depreciation and amortization	479,430	34,484	9,071	46,975	569,960
Total expenses	$ 15,143,838	$ 3,821,519	$ 3,037,774	$ 113,042	$ 22,116,173

	Supporting Services			
	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,928,930	$ 400,521	$ 2,329,451	$ 15,275,560
Employee benefits and payroll taxes	243,524	84,778	328,302	3,725,540
Total salaries and related expenses	2,172,454	485,299	2,657,753	19,001,100
Professional and consulting fees	266,203	104,623	370,826	1,690,060
Stipends	-	-	-	208,333
Insurance	26,105	5,682	31,787	176,319
Occupancy	80,384	29,673	110,057	1,255,191
Telecommunications	42,639	7,353	49,992	500,583
Office supplies	17,151	6,429	23,580	270,268
Program supplies	2,517	94,793	97,310	758,290
Photography, design, and graphics	809	8,664	9,473	16,136
Postage and delivery	2,290	5,044	7,334	18,848
Advertising	177	5,820	5,997	9,311
Equipment and related expenses	48,476	17,444	65,920	343,664
Program events	-	9,633	9,633	89,784
Participant assistance	344	33	377	167,653
Staff transportation	15,706	2,532	18,238	84,281
Conference and related expenses	332	-	332	32,615
Awards and gifts	123	420	543	1,402
Interest	143,796	-	143,796	182,264
Staff related expenses	59,596	1,038	60,634	177,576
Property taxes	37,088	-	37,088	157,374
Inkind	51,706	-	51,706	90,782
Miscellaneous	105,846	2,141	107,987	174,742
Total expenses before depreciation and amortization	3,073,742	786,621	3,860,363	25,406,576
Depreciation and amortization	392,397	-	392,397	962,357
Total expenses	$ 3,466,139	$ 786,621	$ 4,252,760	$ 26,368,933

Family Focus

Consolidated Statement of Cash Flows

Year Ended June 30, 2022

Operating Activities	
Change in net assets	$ (5,293,390)
Items not requiring (providing) cash	
Depreciation and amortization	962,357
Net realized and unrealized losses on investments	2,915,373
Losses on beneficial interest in perpetual trust	1,578,372
Changes in	
Grants and contracts receivable	(954,981)
Pledges receivable	155,999
Other receivables	64,293
Deferred rent	14,871
Prepaid expenses and other assets	77,190
Accounts payable, accrued expenses and other liabilities	333,752
Due to grantors	(50,271)
Pension liability	(418,297)
Deferred revenue	(142,467)
Other long-term liabilities	2,370
Net cash used in operating activities	(754,829)
Investing Activities	
Purchase of property and equipment	(97,731)
Proceeds from sales and maturities of investments	4,449,166
Purchases of investments	(4,838,063)
Net cash used in investing activities	(486,628)
Financing Activities	
Proceeds from line of credit	10,135,000
Payments on line of credit	(9,497,361)
Principal payments on long-term debt	(134,517)
Net cash provided by financing activities	503,122
Net Decrease in Cash and Cash Equivalents	(738,335)
Cash and Cash Equivalents, Beginning of Year	1,540,138
Cash and Cash Equivalents, End of Year	$ 801,803
Supplemental Cash Flows Information	
Cash paid for interest	$ 142,577
Noncash contributions recognized as in-kind revenues/expenses	$ 90,782

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 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, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $395,000. 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 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 year ended June 30, 2022.

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.

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 year ended June 30, 2022, there were $90,782 of contributed services for legal services and donated books 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.

Note 2: Pledges Receivable

Pledges receivable at June 30, 2022, consisted of the following:

Due within one year	$ 175,000
Due within two to five years	25,000
	200,000
Less discount	(3,721)
	$ 196,279

Discount rates based on 10-year treasury bill rates and 1.92% utilized for the year ended June 30, 2022.

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 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 $8,083,398 which represents the fair value of the trust assets at June 30, 2022. The loss from these trusts for the year ended June 30, 2022, is $1,578,372 recognized as change in beneficial trust revenue on the consolidated statement of activities.

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 August 2021 maturity date.

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. The line of credit typically is extended annually and the Organization is currently in the process of negotiating the next extension. Management's intention is to review the line of credit on comparable terms and management believes it is probable such renewal would be successful. Interest is due monthly and payable at a rate of 1.85% over the Index. At June 30, 2022, the rate on the line of credit was 3.44%. The borrowings outstanding under the line of credit agreement at June 30, 2022, was $3,240,000.

Note 5: Long-Term Debt

Note payable - bank (A)	$ 1,780,062
Mortgage payable - bank (B)	1,553,815
	$ 3,333,877

(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% (3.44% at June 30, 2022), 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, 2022, are as follows:

2023	$ 140,986
2024	140,382
2025	150,004
2026	1,584,675
2027	79,309
Thereafter	1,238,521
	$ 3,333,877

Note 6: 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 year ended June 30, 2022, aggregated approximately $393,604.

The Organization has a 10-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 2%. Rent income under this lease was $211,306. Payments due to the Organization under this lease are as follows:

Year Ending June 30	Amount
2023	$ 214,502
2024	217,748
2025	221,059
2026	224,436
2027	227,881
Thereafter	57,187
	$ 1,162,813

The Organization has 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 year ended June 30, 2022, was approximately $653,000.

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

Year Ending June 30	Amount
2023	$ 499,494
2024	393,667
2025	250,447
2026	111,448
	$ 1,255,056

Note 7: 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 year ended June 30, 2022, the Organization's contribution to the 401(k) plan was $586,085.

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 year ended June 30, 2022, the Organization contributed $171,130 to the pension plan.

The Organization uses June 30, 2022 measurement dates for the plan period 2022. Information about the plan's funded status is summarized as follows:

	Pension Benefits
Benefit obligation	$ 2,953,904
Fair value of plan assets	2,733,326
Funded status	$ (220,578)

Liabilities recognized in the consolidated statement of financial position as of June 30, 2022:

	Pension Benefits
Accrued pension liability	$ 220,578

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of the following for the year ended June 30, 2022:

	Pension Benefits
Net gain	$ (128,264)
Amortization of net gain	(60,267)
	$ (188,531)

The accumulated benefit obligation for the defined benefit pension plan was $2,953,904 at June 30, 2022.

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of June 30, 2022:

Accumulated benefit obligation	$ 2,953,904
Fair value of plan assets	$ 2,733,326

Information for pension plans with a projected benefit obligation in excess of plan assets as of June 30, 2022:

Projected benefit obligation	$ 2,953,904
Fair value of plan assets	$ 2,733,326

Other significant balances and costs for the year ended June 30, 2022:

	Pension Benefits
Employer contributions	$ 171,130
Benefits paid	153,562
Net periodic benefit costs	(58,636)

The components of net periodic benefit cost other than the service cost components was $(58,636) for the year ended June 30, 2022, and is included in the expenses in the consolidated statement of activities.

Significant assumptions include:

Weighted-average assumptions used to determine benefit obligations for the year ended June 30, 2022:

	Pension Benefits
Discount rate	4.40%

Weighted-average assumptions used to determine benefit costs for the year ended June 30, 2022:

	Pension Benefits
Discount rate	2.60%
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 year ended June 30, 2022, were as follows:

	Pension Benefits Not To Exceed
Equity securities	66%
Fixed income	16%
Other (cash and cash equivalents)	18%
	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, 2022, 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	$ 478,564	$ 478,564	$ -	$ -
Common stocks	175,460	175,460	-	-
Mutual funds	1,630,345	1,630,345	-	-
Corporate bonds	443,081	-	443,081	-
	$ 2,727,450	$ 2,284,369	$ 443,081	$ -

At June 30, 2022, plan assets also include cash equivalents and other assets of $5,876.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2022:

2023	$ 202,540
2024	201,504
2025	198,693
2026	195,217
2027	193,067
2028-2032	923,689
	$ 1,914,710

Note 8: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2022, have been designated for the following purposes:

Undesignated	$ 4,754,773
Board designated	14,086,371
Net assets without donor restrictions	$ 18,841,144

During fiscal year 2022, the Board approved the released of board-designated net assets in the amount of $600,000 to cover operating expenses.

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022, are restricted for the following purposes:

Subject to expenditure for specified purpose and/or timing	
Unappropriated income from donor-restricted endowment funds	$ 3,278,033
S. Rinder Memorial	83,075
Kenneth Watson Education Fund	5,014
Paul M Angell Family Foundation	75,000
Kiphart Family Foundation	96,280
Irving Haris Foundation	75,000
Coleman Foundation	25,000
	3,637,402
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	8,083,398
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
Ruttenberg Arts Foundation	500,000
Net assets with donor restriction	$ 13,676,721

Net Assets Released From Restrictions

For the year ended June 30, 2022, 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	
Early Head Start-Blowitz Ridway Foundation	$ 110,000
S. Rinder Memorial	15,233
Next Step	35,000
Kenneth Watson Education Fund	16,591
Extended Family Summer Camp Fund	5,259
Junior Board	2,827
Safe Start	10,000
Paul M Angell Family Foundation	75,000
Forefront	50,000
McCormick Tribune Foundation	20,000
Kiphart Family Foundation	100,000
Irving Harris Foundation	75,000
Coleman Foundation	25,000
	$ 539,910

Note 9: 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, 2022.

The composition of net assets by type of endowment fund at June 30, 2022, was:

	Without Donor Restrictions	With Donor Donor Restrictions	Total
Board-designated endowment funds	$ 14,086,371	$ -	$ 14,086,371
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	-	3,778,033	3,778,033
Total endowment funds	$ 14,086,371	$ 5,233,954	$ 19,320,325

Change in endowment net assets for the year ended June 30, 2022, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2021	$ 15,786,427	$ 5,526,342	$ 21,312,769
Contribution/transfer in	-	500,000	500,000
Investment return			
Investment income, net	204,574	64,382	268,956
Net appreciation (realized and unrealized)	(1,304,630)	(856,770)	(2,161,400)
	(1,100,056)	(792,388)	(1,892,444)
Other changes			
Amounts released for expenditure	600,000	-	600,000
Endowment net assets, June 30, 2022	$ 14,086,371	$ 5,233,954	$ 19,320,325

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 10: 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:

Illinois State Board of Education	29.72%
City of Chicago Department of Family and Support Services	20.78%
Start Early - Head Start/Early Head Start	18.14%

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, 2022, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2022:

Grant	Grant Amount	Earned Through June 30, 2022	Funding Available
Illinois State Board of Education - 21st Century School Grants	$ 2,640,606	$ 1,937,597	$ 703,009
Justice Advisory Council Youth Support Grant	100,000	76,929	23,071
City of Evanston - Mental Health	125,000	59,740	65,260
CDBG City Youth Services	126,648	56,826	69,822
City of Chicago Department of Family and Support Services - Child Care Partnership	475,920	283,783	192,137
Start Early - Head Start	1,561,465	695,401	866,064
Start Early - Early Head Start	846,385	630,508	215,877
CHA Summer Program	21,600	-	21,600
City of Chicago Department of Family Services - Services - City Mentoring	69,000	21,909	47,091
	$ 5,966,624	$ 3,762,693	$ 2,203,931

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 consolidated statement of financial position date, comprise the following at June 30, 2022:

Cash and cash equivalents	$ 801,803
Grants and contracts receivable	5,880,250
Other receivables	86,152
Pledges receivable, net (current)	175,000
Investments	19,982,001
Beneficial interest in trust	8,083,398
Less donor imposed restrictions	(13,676,721)
	$ 21,331,883

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 year 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 12: 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, 2022:

		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 account	$ 5,045,935	$ 5,045,935	$ -	$ -
Common stocks	11,391,193	11,391,193	-	-
Mutual funds	1,534,785	1,534,785	-	-
Corporate bonds	1,645,164	-	1,645,164	-
U.S. treasury note	364,924	-	364,924	-
Beneficial interest in perpetual trust funds	8,083,398	-	-	8,083,398
	$ 28,065,399	$ 17,971,913	$ 2,010,088	$ 8,083,398

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, 2022.

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, June 1, 2021	$ 9,661,770
Change in fair value	(1,578,372)
Balance, June 30, 2022	$ 8,083,398

Note 13: 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 statement of financial position.

Note 14: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board 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 consolidated 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.

Family Focus
Notes to Consolidated Financial Statements
June 30, 2022

Note 15: Subsequent Events

Subsequent events have been evaluated through June 30, 2023, which is the date the consolidated financial statements were available to be issued.

Subsequent to year-end, the Board of Directors approved to start the process of terminating the defined benefit plan (see note 7).