Family Focus

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2023

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 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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 6 to the consolidated financial statements, in 2023, the entity adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

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 March 26, 2024, 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
March 26, 2024

Family Focus
Consolidated Statement of Financial Position
June 30, 2023

Assets

Current Assets	
Cash and cash equivalents	$ 4,371,593
Grants and contracts receivable	5,372,652
Other receivables	86,708
Pledges receivable, net (current)	230,500
Prepaid expenses and other assets	21,329
Investments	20,940,413
Total current assets	31,023,195
Noncurrent Assets	
Investments	1,955,921
Beneficial interest in trust	8,300,551
Pledges receivable, net (noncurrent)	30,000
Accrued pension asset	392,654
Property and equipment, net	
Land	78,804
Building and improvements	11,327,128
Leasehold improvements	178,710
Furniture and equipment	2,587,469
	14,172,111
Less accumulated depreciation and amortization	8,998,282
Total property and equipment, net	5,173,829
Other Assets	
Right-of-use assets - operating leases	818,735
Right-of-use assets - finance lease	639,623
Security deposits	37,200
Total other assets	1,495,558
Total noncurrent assets	17,348,513
	$ 48,371,708

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	$ 2,001,709
Deferred revenue	249,779
Line of credit	5,000,000
Current portion of long-term debt	145,330
Current portion of operating lease liabilities	431,521
Current portion of finance lease liability	139,411
Total current liabilities	7,967,750
Noncurrent Liabilities	
Deferred rent	24,467
Long-term debt, net of current maturities	3,111,021
Operating lease liabilities	398,136
Finance lease liability	507,745
Other long-term liabilities	8,648
Total noncurrent liabilities	4,050,017
Total liabilities	12,017,767
Net Assets	
Without donor restrictions	
Undesignated	6,746,322
Board designated	15,357,650
Total without donor restrictions	22,103,972
With donor restrictions	14,249,969
Total net assets	36,353,941
	$ 48,371,708

Family Focus
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 4,932,753	$ 393,720	$ 5,326,473
Contributions for nonfinancial assets	65,156	-	65,156
Grants	21,706,620	-	21,706,620
Rental income	445,060	-	445,060
Program fees	135,199	-	135,199
Net assets released from restrictions	852,085	(852,085)	-
Total support and revenue	28,136,873	(458,365)	27,678,508
Expenses			
Program services			
Early Childhood Education and Care	15,581,689	-	15,581,689
Youth Services	3,797,039	-	3,797,039
Family Support	3,606,163	-	3,606,163
Community Center	217,852	-	217,852
Supporting services			
Management and general	4,063,870	-	4,063,870
Fundraising	842,328	-	842,328
Total expenses	28,108,941	-	28,108,941
Change in Net Assets Before Other Income	27,932	(458,365)	(430,433)
Other Income			
Net investment income	2,856,884	814,460	3,671,344
Change in fair value of beneficial interest in perpetual trusts	-	217,153	217,153
Pension related changes other than net periodic pension cost	378,012	-	378,012
Total other income	3,234,896	1,031,613	4,266,509
Change in Net Assets	3,262,828	573,248	3,836,076
Net Assets, Beginning of Year	18,841,144	13,676,721	32,517,865
Net Assets, End of Year	$ 22,103,972	$ 14,249,969	$ 36,353,941

Family Focus
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services				
	Early Childhood Education and Care	Youth	Family Support	Community Center	Total Program Services
Salaries	$ 9,764,586	$ 2,288,932	$ 2,023,690	$ 54,736	$ 14,131,944
Employee benefits and payroll taxes	2,203,683	405,649	473,427	14,676	3,097,435
Total salaries and related expenses	11,968,269	2,694,581	2,497,117	69,412	17,229,379
Professional and consulting fees	239,841	299,915	342,593	795	883,144
Stipends	-	226,423	-	-	226,423
Insurance	127,578	32,651	25,066	955	186,250
Occupancy	905,924	26,620	168,989	73,885	1,175,418
Telecommunications	305,431	67,235	61,553	1,488	435,707
Office supplies	121,571	14,653	37,331	1,086	174,641
Program supplies	502,025	150,256	26,518	-	678,799
Photography, design, and graphics	10,692	2,257	6,320	-	19,269
Postage and delivery	3,852	1,367	4,711	76	10,006
Advertising	6,138	-	1,000	-	7,138
Equipment and related expenses	321,003	84,156	66,025	2,113	473,297
Program events	31,391	81,497	1,046	-	113,934
Participant assistance	102,554	15,960	296,361	-	414,875
Staff transportation	92,240	11,656	18,736	-	122,632
Conference and related expenses	18,523	16,155	39	-	34,717
Awards and gifts	3,159	750	-	146	4,055
Interest	37,149	-	-	-	37,149
Staff related expenses	88,559	51,584	19,902	154	160,199
Property taxes	86,153	325	4,379	1,748	92,605
In-kind	-	-	-	-	-
Miscellaneous	57,175	1,172	7,898	5	66,250
Total expenses before depreciation and amortization	15,029,227	3,779,213	3,585,584	151,863	22,545,887
Depreciation and amortization	552,462	17,826	20,579	65,989	656,856
Total expenses	$ 15,581,689	$ 3,797,039	$ 3,606,163	$ 217,852	$ 23,202,743

	Supporting Services			
	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,700,967	$ 389,528	$ 2,090,495	$ 16,222,439
Employee benefits and payroll taxes	628,801	76,215	705,016	3,802,451
Total salaries and related expenses	2,329,768	465,743	2,795,511	20,024,890
Professional and consulting fees	627,210	120,852	748,062	1,631,206
Stipends	-	-	-	226,423
Insurance	10,950	2,246	13,196	199,446
Occupancy	150,725	44,258	194,983	1,370,401
Telecommunications	48,291	7,489	55,780	491,487
Office supplies	18,997	1,705	20,702	195,343
Program supplies	4,135	11,006	15,141	693,940
Photography, design, and graphics	221	20,818	21,039	40,308
Postage and delivery	2,222	2,810	5,032	15,038
Advertising	-	1,522	1,522	8,660
Equipment and related expenses	97,469	29,267	126,736	600,033
Program events	16	65,664	65,680	179,614
Participant assistance	368	-	368	415,243
Staff transportation	20,175	2,355	22,530	145,162
Conference and related expenses	2,896	269	3,165	37,882
Awards and gifts	81	651	732	4,787
Interest	335,193	-	335,193	372,342
Staff related expenses	41,308	517	41,825	202,024
Property taxes	205	-	205	92,810
In-kind	-	65,156	65,156	65,156
Miscellaneous	-	-	-	66,250
Total expenses before depreciation and amortization	3,690,230	842,328	4,532,558	27,078,445
Depreciation and amortization	373,640	-	373,640	1,030,496
Total expenses	$ 4,063,870	$ 842,328	$ 4,906,198	$ 28,108,941

Family Focus
Consolidated Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	$ 3,836,076
Items not requiring (providing) cash	
Depreciation and amortization	1,030,496
Net realized and unrealized gains on investments	(2,591,240)
Gain on beneficial interest in perpetual trust	(217,153)
Noncash operating lease expense	510,295
Net unrecognized actuarial gain	(378,012)
Changes in	
Grants and contracts receivable	507,598
Pledges receivable	(64,221)
Other receivables	(556)
Deferred rent	(14,871)
Prepaid expenses and other assets	(6,509)
Accounts payable, accrued expenses and other liabilities	394,498
Due to grantors	(34,336)
Accrued pension asset/liability	(235,220)
Deferred revenue	141,118
Operating lease liabilities	(499,373)
Net cash provided by operating activities	2,378,590
Investing Activities	
Purchase of property and equipment	(55,030)
Proceeds from sales and maturities of investments	1,250,000
Purchases of investments	(1,573,093)
Net cash used in investing activities	(378,123)
Financing Activities	
Proceeds from line of credit	17,511,456
Payments on line of credit	(15,751,456)
Principal payments on long-term debt	(77,526)
Principal payments on finance lease liability	(113,151)
Net cash provided by financing activities	1,569,323
Net Increase in Cash and Cash Equivalents	3,569,790
Cash and Cash Equivalents, Beginning of Year	801,803
Cash and Cash Equivalents, End of Year	$ 4,371,593
Supplemental Cash Flows Information	
Cash paid for interest	$ 306,684
Noncash contributions recognized as in-kind revenues/expenses	$ 65,156
ROU assets obtained in exchange for new finance lease liabilities	$ 760,307

Family Focus
Notes to Consolidated Financial Statements
June 30, 2023

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, 2023, 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, 2023.

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, 2023, there were $65,156 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.

Note 2: Pledges Receivable

Pledges receivable at June 30, 2023, consisted of the following:

Due within one year	$ 230,500
Due within two to five years	30,000
	260,500
Less discount	-
	$ 260,500

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 $8,300,551 which represents the fair value of the trust assets at June 30, 2023. The gain from these trusts for the year ended June 30, 2023, is $217,153 recognized as change in beneficial trust revenue on the consolidated statement of activities.

Note 4: Line of Credit

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, 2025. Interest is due monthly and payable at a rate of 1.85% over the Index. At June 30, 2023, the rate on the line of credit was 6.93%. The borrowings outstanding under the line of credit agreement at June 30, 2023, was $5,000,000.

Note 5: Long-Term Debt

Note payable - bank (A)	$ 1,757,844
Mortgage payable - bank (B)	1,498,507
	$ 3,256,351

(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 a specified index plus 1.85% (6.93% at June 30, 2023), 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, 2023, are as follows:

2024	$ 145,330
2025	150,366
2026	1,648,663
2027	73,472
2028	1,238,520
	$ 3,256,351

Note 6: Leases

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e*., the comparatives under Accounting Standards Codification (ASC) 840 option.

The Organization adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the consolidated statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $1,329,030 each at July 1, 2022. The standard did not significantly affect the consolidated statements of activities and changes in net assets, functional expenses or cash flows.

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception if the contract conveys the right to control the use of identified property, or equipment (an identified asset) for a period of time in exchange for consideration.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and office equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Lease

The lease consists of office equipment and the termination of this lease is prohibited unless there is a violation under the lease agreement.

Operating Leases

The Organization leases certain real estate and equipment for certain operating centers and its central administrative office under noncancellable operating leases expiring in various years through May 2026. These leases generally require the Organization to pay taxes, insurance, utilities, and maintenance costs.

The Organization entered into a new lease in July of 2023 for its central administrative office that commences in January of 2024 and expires in May of 2034. The lease requires monthly payments ranging from $20,850 to $24,939 and provides two five-year extension options. The lease requires the Organization to pay a proportionate share of operating costs which include management, operation and repair of the office space.

The Organization entered into a new lease in May of 2023 for one of its operating centers that commences in December of 2023 and expires in July of 2032. The lease requires monthly payments ranging from $12,665 to $15,761 and provides one five-year extension option. The lease requires the Organization to pay a proportionate share of operating costs which include management, operation and repair of the office space.

Short-Term Leases

The Organization has additional month-to-month leases with lease terms less than 12 months.

All Leases

The Organization has no material related-party leases.

The Organization lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023, are:

Lease costs	
Finance lease costs	
Amortization of right-of-use asset	$ 120,684
Interest on lease liability	16,719
Operating lease costs	541,543
Short-term lease costs	153,804
Variable lease costs	66,524
Total lease costs	$ 899,274

Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	$ 16,719
Financing cash flows from finance leases	113,151
Operating cash flows from operating leases	528,355
Right-of-use assets obtained in exchange for new finance lease liabilities	760,307
Weighted average remaining lease term	
Finance lease	4.42 years
Operating leases	1.98 years
Weighted average discount rate	
Finance lease	2.88%
Operating leases	2.99%

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2023, are as follows:

Fiscal Year	Finance Lease	Operating Leases
2024	$ 155,844	$ 449,473
2025	155,844	345,953
2026	155,844	58,757
2027	155,844	-
2028	64,935	-
Total future undiscounted lease payments	688,311	854,183
Less amounts representing interest	(41,155)	(24,526)
Lease liabilities	$ 647,156	$ 829,657

The following summarizes right-of-use assets – finance lease as of June 30, 2023:

Equipment	$ 760,307
Less accumulated depreciation	(120,684)
	$ 639,623

Note 7: Rental Income

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, 2023, aggregated approximately $445,000.

The Organization has a 10-year noncancelable lease as lessor, at its South Shore Center, 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
2024	$ 217,748
2025	221,059
2026	224,436
2027	227,881
2028	57,187
	$ 948,311

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 year ended June 30, 2023, the Organization's contribution to the 401(k) plan was $542,644.

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, 2023, the Organization contributed $217,564 to the pension plan.

The Organization uses June 30, 2023 measurement dates for the plan period 2023. Information about the plan's funded status is summarized as follows:

	Pension Benefits
Benefit obligation	$ 2,609,744
Fair value of plan assets	3,002,398
Funded status	$ 392,654

Liabilities (asset) recognized in the consolidated statement of financial position as of June 30, 2023:

	Pension Benefits
Accrued pension liabilty (asset)	$ (392,654)

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, 2023:

	Pension Benefits
Net gain	$ (330,360)
Amortization of net gain	(47,652)
	$ (378,012)

The accumulated benefit obligation for the defined benefit pension plan was $2,609,744 at June 30, 2023.

Other significant balances and costs for the year ended June 30, 2023:

	Pension Benefits
Employer contributions	$ 217,564
Benefits paid	165,642
Net periodic benefit costs	(17,656)

The components of net periodic benefit cost other than the service cost components was $(17,656) for the year ended June 30, 2023, 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, 2023:

	Pension Benefits
Discount rate	4.90%

Weighted-average assumptions used to determine benefit costs for the year ended June 30, 2023:

	Pension Benefits
Discount rate	4.40%
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, 2023, were as follows:

	Pension Benefits Not To Exceed
Cash	0%
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, 2023, 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	$ 2,960,906	$ 2,960,906	$ -	$ -

At June 30, 2023, plan assets also include cash equivalents and other assets of $41,492.

In fiscal year 2023, the Board of Directors approved the termination of the defined benefit plan and notified plan participants of their settlement elections via a lump sum distribution or annuity purchase settlement. As of June 30, 2023, all plan assets were moved into a money market fund in anticipation of the plan of termination.

In fiscal year 2024, all participants completed their respective elections to have their plan obligations settled via a lump sum distribution or annuity purchase. The fair value of the plan assets is expected to be sufficient to cover all such terminations.

Note 9: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2023, have been designated for the following purposes:

Undesignated	$ 6,746,322
Board designated	15,357,650
Net assets without donor restrictions	$ 22,103,972

During fiscal year 2023, the Board approved the released of board-designated net assets in the amount of $572,197 to cover operating expenses.

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023, are restricted for the following purposes:

Subject to expenditure for specified purpose and/or timing	
Unappropriated income from donor-restricted endowment funds	$ 3,567,493
S. Rinder Memorial	60,990
Kenneth Watson Education Fund	5,014
Paul M Angell Family Foundation	75,000
Crown Memorial (Arie & Ida Crown Memorial)	75,000
Stearns Family Foundation	40,000
Siragusa Family Foundation	20,000
Gorter Family Foundation	25,000
United Way of Metro Chicago	25,000
Gottlieb	100,000
	3,993,497
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	8,300,551
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	$ 14,249,969

Net Assets Released From Restrictions

For the year ended June 30, 2023, 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	
S. Rinder Memorial	$ 22,085
Irving Harris Foundation	75,000
Coleman Foundation	25,000
Paul M Angell Family Foundation	75,000
Kiphart Family Foundation	100,000
Stearns Family Foundation	20,000
Siragusa Family Foundation	10,000
Restricted purpose spending-rate distributions	525,000
	$ 852,085

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, 2023.

The composition of net assets by type of endowment fund at June 30, 2023, was:

	Without Donor Restrictions	With Donor Donor Restrictions	Total
Board-designated endowment funds	$ 15,357,650	$ -	$ 15,357,650
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,955,921	1,955,921
Accumulated investment gains	-	3,567,493	3,567,493
Total endowment funds	$ 15,357,650	$ 5,523,414	$ 20,881,064

Change in endowment net assets for the year ended June 30, 2023, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2022	$ 14,086,371	$ 5,233,954	$ 19,320,325
Contribution/transfer in	-	-	-
Investment return			
Investment income, net	258,510	173,210	431,720
Net appreciation (realized and unrealized)	1,584,966	641,250	2,226,216
	1,843,476	814,460	2,657,936
Other changes			
Amounts released for expenditure	572,197	525,000	1,097,197
Endowment net assets, June 30, 2023	$ 15,357,650	$ 5,523,414	$ 20,881,064

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:

Illinois State Board of Education	29.35%
City of Chicago Department of Family and Support Services	17.83%
Start Early	18.70%
State of Illinois Department of Human Services	10.56%
State of Illinois Department of Children and Family Services	10.03%

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, 2023, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2023:

Grant	Grant Amount	Earned Through June 30, 2023	Funding Available
Illinois State Board of Education - 21st Century School Grants	$ 1,620,000	$ 1,244,599	$ 375,401
Case Management - City of Evanston	83,200	41,600	41,600
City of Chicago Department of Family and Support Services - Child Care Partnership	486,760	213,370	273,390
Start Early - Head Start	1,537,298	609,766	927,532
Start Early - Early Head Start	866,696	552,665	314,031
Start Early - American Rescue Plan Act Supplemental	398,742	295,222	103,520
Illinois State Board of Education - Prevention Initiative	5,473,152	4,501,398	971,754
	$ 10,465,848	$ 7,458,620	$ 3,007,228

Note 12: 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, 2023:

Cash and cash equivalents	$ 4,371,593
Grants and contracts receivable	5,372,652
Other receivables	86,708
Pledges receivable, net (current)	230,500
Investments	22,896,334
Beneficial interest in trust	8,300,551
Less donor imposed restrictions	(14,249,969)
	$ 27,008,369

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 13: 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, 2023:

		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	$ 5,527,655	$ 5,527,655	$ -	$ -
Common stocks	14,110,408	14,110,408	-	-
Mutual funds	1,915,379	1,915,379	-	-
Corporate bonds	981,892	-	981,892	-
U.S. treasury note	361,000	-	361,000	-
Beneficial interest in perpetual trust funds	8,300,551	-	-	8,300,551
	$ 31,196,885	$ 21,553,442	$ 1,342,892	$ 8,300,551

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, 2023.

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, 2022	$ 8,083,398
Change in fair value	217,153
Balance, June 30, 2023	$ 8,300,551

Note 14: 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 15: Other Commitments

The Organization had capital project commitments related to the Evanston construction project as of June 30, 2023, totaling approximately $638,000.

Note 16: Subsequent Events

Subsequent events have been evaluated through March 26, 2024, which is the date the consolidated financial statements were available to be issued.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Family Focus
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Family Focus (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon, dated March 26, 2024. Our report contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Directors
Family Focus

Report on Compliance and Other Matters

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

Purpose of This Report

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

FORVIS, LLP

Oakbrook Terrace, Illinois
March 26, 2024