

**EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND 2020**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Evangelical Child and Family Agency:

We have audited the accompanying combined financial statements of Evangelical Child and Family Agency and ECFA Foundation, Inc. which comprise the combined statement of financial position as of June 30, 2021 and 2020, and the related combined statements of activities, cash flows and functional expenses for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors of
Evangelical Child and Family Agency
Page two

Opinion

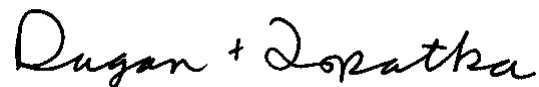
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Evangelical Child and Family Agency and ECFA Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of Evangelical Child and Family Agency and ECFA Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Evangelical Child and Family Agency and ECFA Foundation, Inc.'s internal control over financial reporting and compliance.



DUGAN & LOPATKA

Warrenville, Illinois
October 5, 2021

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

To the Board of Directors of
Evangelical Child and Family Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Evangelical Child and Family Agency and ECFA Foundation, Inc. which comprise the combined statement of financial position as of June 30, 2021, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements and have issued our report thereon dated October 5, 2021.

Internal Control Over Financial Reporting

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

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

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

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

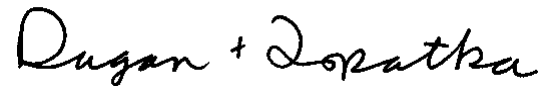
Page two

Compliance and Other Matters

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

Purpose of this Report

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



DUGAN & LOPATKA

Warrenville, Illinois
October 5, 2021

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 715,779	\$ 427,746
Investments	2,236,788	1,610,131
Receivables - program fees	207,237	397,817
- other	-	632,868
Other current assets	31,333	58,929
Total current assets	<u>3,191,137</u>	<u>3,127,491</u>
PROPERTY AND EQUIPMENT:		
Land	83,000	83,000
Building and improvements	1,622,913	1,618,738
Furniture and equipment	46,942	46,942
Automobiles	151,811	127,161
	<u>1,904,666</u>	<u>1,875,841</u>
Less - Accumulated depreciation	336,793	267,116
Net property and equipment	<u>1,567,873</u>	<u>1,608,725</u>
OTHER ASSETS:		
Prepaid deposits	12,191	12,391
Certificate of deposit	8,007	8,007
Total other assets	<u>20,198</u>	<u>20,398</u>
	<u>\$ 4,779,208</u>	<u>\$ 4,756,614</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 34,356	\$ 241,558
Notes payable, current maturity	-	139,948
Other liabilities and accrued expenses	146,291	228,427
Total current liabilities	<u>180,647</u>	<u>609,933</u>
LONG-TERM LIABILITIES		
Notes payable, net of current maturity	-	176,252
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	4,551,964	3,917,332
Without donor restrictions - board designation	34,097	34,097
With donor restrictions	12,500	19,000
Total net assets	<u>4,598,561</u>	<u>3,970,429</u>
	<u>\$ 4,779,208</u>	<u>\$ 4,756,614</u>

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:						
Contributions	\$ 598,032	\$ 12,500	\$ 610,532	\$ 725,574	\$ 19,000	\$ 744,574
Adoption fees	93,878	-	93,878	178,631	-	178,631
Counseling fees	3,587	-	3,587	7,276	-	7,276
Government payment for services	1,328,011	-	1,328,011	1,396,015	-	1,396,015
Special projects and events (net of direct expenses of \$38,465 in 2021 and \$57,732 in 2020)	179,416	-	179,416	168,921	-	168,921
Dividends and interest	71,461	-	71,461	100,907	-	100,907
Loan forgiveness income	316,200	-	316,200	-	-	-
Net unrealized and realized gains (losses) on investments	410,453	-	410,453	(76,948)	-	(76,948)
	<u>3,001,038</u>	<u>12,500</u>	<u>3,013,538</u>	<u>2,500,376</u>	<u>19,000</u>	<u>2,519,376</u>
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	19,000	(19,000)	-	14,000	(14,000)	-

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program -						
Adoption services	\$ 283,500	\$ -	\$ 283,500	\$ 312,407	\$ -	\$ 312,407
Pregnancy support services	342,383	-	342,383	376,293	-	376,293
Family and individual counseling	97,156	-	97,156	93,399	-	93,399
Intact family services	1,131,631	-	1,131,631	1,171,230	-	1,171,230
Total program expense	1,854,670	-	1,854,670	1,953,329	-	1,953,329
Management and general	324,537	-	324,537	341,578	-	341,578
Fundraising	206,199	-	206,199	190,119	-	190,119
Total functional expenses	2,385,406	-	2,385,406	2,485,026	-	2,485,026
CHANGE IN NET ASSETS, before non-operating items	634,632	(6,500)	628,132	29,350	5,000	34,350
NON-OPERATING ITEMS:						
Expenses related to fire	-	-	-	(109,480)	-	(109,480)
Casualty loss reimbursement income	-	-	-	632,868	-	632,868
CHANGE IN NET ASSETS	634,632	(6,500)	628,132	552,738	5,000	557,738
NET ASSETS, Beginning of year	3,951,429	19,000	3,970,429	3,398,691	14,000	3,412,691
NET ASSETS, End of year	\$ 4,586,061	\$ 12,500	\$ 4,598,561	\$ 3,951,429	\$ 19,000	\$ 3,970,429

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 628,132	\$ 557,738
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	69,677	49,881
Unrealized and realized (gain) loss on investments	(410,453)	76,948
Loan forgiveness income	(316,200)	-
Donated investments	(4,497)	(1,913)
Insurance proceeds for casualty loss	632,868	-
(Increase) decrease in receivables	190,580	(832,843)
(Increase) decrease in other current assets	27,596	(52,677)
(Increase) decrease in prepaid deposits	200	(2,000)
(Decrease) increase in accounts payable	(207,202)	218,072
Decrease (increase) in other liabilities and accrued expenses	(82,136)	190,919
	<u>528,565</u>	<u>204,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(271,707)	(151,980)
Proceeds from sale of investments	60,000	117,336
Purchase of property and equipment	(28,825)	(965,064)
	<u>(240,532)</u>	<u>(999,708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	-	316,200
NET CHANGE IN CASH AND CASH EQUIVALENTS	288,033	(479,383)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>427,746</u>	<u>907,129</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 715,779</u>	<u>\$ 427,746</u>

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Adoption Services	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fundraising	Total
Salaries	\$ 194,724	\$ 219,326	\$ 61,204	\$ 720,623	\$ 1,195,877	\$ 221,949	\$ 115,688	\$ 1,533,514
Employee benefits	32,866	36,380	13,656	137,816	220,718	26,512	18,659	265,889
Payroll taxes	15,444	14,931	4,086	48,114	82,575	14,541	7,449	104,565
Professional fees	2,987	1,624	750	7,068	12,429	2,225	471	15,125
Supplies	2,779	3,678	955	8,648	16,060	1,547	2,510	20,117
Telephone	3,780	4,752	209	9,956	18,697	680	942	20,319
Postage	754	1,347	137	1,724	3,962	659	5,292	9,913
Occupancy	4,881	7,884	2,681	9,019	24,465	7,025	3,001	34,491
Printing	-	583	100	-	683	-	31,210	31,893
Subscriptions	-	343	-	-	343	68	-	411
Local transportation	2,076	7,700	175	12,456	22,407	392	2,416	25,215
Conferences	320	-	-	312	632	2,524	113	3,269
Specific assistance	208	3,633	-	105,189	109,030	-	-	109,030
Membership dues	-	449	-	4,242	4,691	825	4,030	9,546
Insurance	6,923	11,534	4,729	15,905	39,091	16,527	4,762	60,380
Equipment rental and maintenance	7,940	10,925	3,439	26,289	48,593	5,191	3,060	56,844
Miscellaneous	26	163	5	482	676	14,480	52	15,208
Depreciation	7,792	17,131	5,030	23,788	53,741	9,392	6,544	69,677
Total functional expenses	<u>\$ 283,500</u>	<u>\$ 342,383</u>	<u>\$ 97,156</u>	<u>\$ 1,131,631</u>	<u>\$ 1,854,670</u>	<u>\$ 324,537</u>	<u>\$ 206,199</u>	<u>\$ 2,385,406</u>

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Adoption Services	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fundraising	Total
Salaries	\$ 207,935	\$ 239,208	\$ 61,524	\$ 749,646	\$ 1,258,313	\$ 233,063	\$ 102,095	\$ 1,593,471
Employee benefits	36,997	44,286	13,723	140,542	235,548	28,912	19,190	283,650
Payroll taxes	15,896	18,009	4,738	59,849	98,492	17,806	7,834	124,132
Professional fees	9,770	6,490	1,681	23,674	41,615	6,978	2,952	51,545
Supplies	2,456	3,325	823	7,632	14,236	1,322	2,798	18,356
Telephone	4,760	5,756	255	10,258	21,029	840	1,164	23,033
Postage	1,234	2,106	228	1,985	5,553	1,149	3,709	10,411
Occupancy	5,081	7,685	1,909	6,420	21,095	6,876	2,617	30,588
Printing	135	1,115	-	215	1,465	28	29,325	30,818
Subscriptions	-	20	-	-	20	159	-	179
Local transportation	3,554	11,360	204	17,428	32,546	695	3,406	36,647
Conferences	1,710	1,318	233	431	3,692	4,085	383	8,160
Specific assistance	3,060	7,628	-	104,329	115,017	-	-	115,017
Membership dues	409	160	70	4,381	5,020	824	3,000	8,844
Insurance	4,785	8,177	3,599	12,107	28,668	13,423	3,484	45,575
Equipment rental and maintenance	8,119	5,889	1,546	16,491	32,045	6,564	3,129	41,738
Miscellaneous	-	-	-	793	793	11,903	285	12,981
Depreciation	6,506	13,761	2,866	15,049	38,182	6,951	4,748	49,881
Total functional expenses	<u>\$ 312,407</u>	<u>\$ 376,293</u>	<u>\$ 93,399</u>	<u>\$ 1,171,230</u>	<u>\$ 1,953,329</u>	<u>\$ 341,578</u>	<u>\$ 190,119</u>	<u>\$ 2,485,026</u>

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Evangelical Child and Family Agency (the Agency) was incorporated on June 24, 1959, under the Illinois General Not-For-Profit Act. The Agency was formed to provide programs of adoption, foster family care, pregnancy support services, and family counseling under the evangelical protestant Christian auspices.

The ECFA Foundation, Inc. (the Foundation) was formed in 1996 for the purpose of promoting and financially supporting the purposes of the Evangelical Child and Family Agency.

The Agency and Foundation statements are combined due to the fact that the main purpose of the Foundation is to promote and support the Agency through contributions and borrowing abilities.

The financial statements were available to be issued on October 5, 2021, with subsequent events being evaluated through this date.

The following is a brief summary of the accounting policies adopted by the Agency and the Foundation:

Accounting Method -

The accounting records of the Agency and Foundation are maintained on the accrual basis which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Agency is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or passage of time.

As of June 30, 2021 and 2020, the net assets, with donor restrictions consist of the following:

Pregnancy support services	\$ 12,500	\$ 9,000
Counseling	<u>-</u>	<u>10,000</u>
Total	<u>\$ 12,500</u>	<u>\$ 19,000</u>

Principle of Combined Statements

The Foundation is combined with the Agency for financial reporting. All significant intercompany account balances and transactions have been eliminated in the combined financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Agency and Foundation consider all highly liquid instruments with an original maturity of less than three months to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject the Agency and Foundation to concentrations of credit risk consist principally of cash. The Agency and Foundation place their cash and deposits with high credit, quality financial institutions; however, deposits may exceed the federally insured limits during the year.

Receivables -

Receivables consist mostly of amounts due from governmental agencies and are considered fully collectible. Therefore, no allowance for doubtful accounts was required.

Investments -

Investments are recorded at fair market value.

Property and Equipment -

Property and equipment are stated at cost, except for donations of equipment, which are stated at fair market value as of the date of donation. The Agency follows the practice of capitalizing all expenditures for fixed assets in excess of \$5,000. Depreciation is computed using the straight-line method to amortize the cost of fixed assets over their estimated useful lives, ranging from 3 to 40 years. Equipment replacements or improvements are capitalized. Expenditures for repairs or maintenance are expensed when incurred. When assets are disposed of or considered no longer useful, the cost and related depreciation are removed from the books.

Depreciation for the fiscal years ended June 30, 2021 and 2020, amounted to \$69,677 and \$49,881, respectively.

Donated Materials -

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their estimated market value at the date of donation.

Donated Services -

Donated services are recognized as contributions in accordance with the Accounting Standards Codification for *Contributions Received and Contributions Made* if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions -

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, 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.

Program Service Revenue -

The Agency's program service fees consist primarily of adoption fees and counseling fees. For adoption fees, revenue is consider a single performance obligation that is recognized when the adoption step has occurred. For counseling fees, revenue is consider a single performance that is recognized at the time of service.

Governmental Contract Fees -

The Agency's governmental contracts fees consist primarily from contracting with governmental agencies and providing their INTACT program services. INTACT program services are based on a negotiable rate when the service has been rendered. Revenues are recognized at the time of service.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, and other expenses which are allocated on the basis estimated of time and effort.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes -

The Agency and Foundation have been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) as described under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes - (Continued)

The Agency and Foundation file income tax returns in the U.S. federal jurisdiction. With few exceptions, the Agency and Foundation are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2018. The Agency and Foundation do not expect a material net change in unrecognized tax benefits in the next twelve months.

Reclassification -

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) INVESTMENTS:

Investments are carried at fair market value. Investments consist of the following:

<u>Summary of Investments</u>	<u>2021</u>		<u>2020</u>	
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>
Evangelical Child and Family Agency -				
Mutual funds	\$ 407	\$ 40	\$ -	\$ -
Stocks	<u>14,749</u>	<u>7,609</u>	<u>-</u>	<u>-</u>
	15,156	7,649	-	-
ECFA Foundation -				
Mutual funds	<u>2,221,632</u>	<u>1,356,206</u>	<u>1,610,131</u>	<u>1,152,176</u>
Total investments	<u>\$ 2,236,788</u>	<u>\$ 1,363,855</u>	<u>\$ 1,610,131</u>	<u>\$ 1,152,176</u>

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurement established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Agency or Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency and the Foundation believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 are as follow:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments -				
Stocks	\$ 14,749	\$ -	\$ -	\$ 14,749
Mutual funds	<u>2,222,039</u>	<u>-</u>	<u>-</u>	<u>2,222,039</u>
Total investments	<u>\$ 2,236,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,236,788</u>

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments -				
Stocks	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>1,610,131</u>	<u>-</u>	<u>-</u>	<u>1,610,131</u>
Total investments	<u>\$ 1,610,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,131</u>

(4) LINE OF CREDIT:

The Agency and Foundation have a loan agreement with an investment broker in which they can borrow up to 50% of qualified investments held with this broker. The interest rate is a variable rate based on an amount greater than prime. As of June 30, 2021 and 2020, there was no outstanding balance on these loans.

(5) NOTE PAYABLE:

	<u>2021</u>	<u>2020</u>
Payroll Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, interest at 1% with the amount to be repaid in 18 installments beginning October 2020 with the final payment due April 2022. As part of the loan agreement, the entire loan or a portion can be forgiven. The Agency tends to maximize the forgivable portion of this loan. The Agency has adopted ASC 470 to account for the PPP loan and will record a gain from the forgiven portion of the loan when it is forgiven.	<u>\$ -</u>	<u>\$ 316,200</u>
Less - current maturities	<u>-</u>	<u>(139,948)</u>
	<u>\$ -</u>	<u>\$ 176,252</u>

(5) NOTE PAYABLE: (Continued)

The Agency also applied for and has been notified that \$316,200 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected as forgiveness of debt in the accompanying statement of activities. There is no remaining loan balance for the Paycheck Protection Program loan as of June 30, 2021.

(6) RELATED PARTY TRANSACTIONS:

The Agency has a line-of-credit arrangement that provides for a maximum borrowing of \$100,000 with the Foundation. The line of credit from the Foundation is secured by a mortgage and security agreement with respect to real estate located in Wheaton, Illinois, and New Berlin, Wisconsin. The interest rate on the line of credit from the Foundation to Illinois is set on the first day of each month and is equal to the prime rate of interest in effect prior to the first day of each month. As of June 30, 2021 and 2020, the line of credit had a \$-0- balance. The line-of-credit note comes due on June 30, 2022.

The loans outstanding between the Foundation and the Agency are offset when the Foundation and the Agency in Illinois and Wisconsin are combined into one entity for financial reporting purposes.

The Foundation contributed \$60,000 and \$59,730 to the Agency for the years ended June 30, 2021 and 2020, respectively. The Agency contributed \$282,123 and \$-0- to the Foundation for the years ended June 30, 2021 and 2020. These amounts are offset on the combined financial statements. No DCFS funds were transferred out of the Agency to the Foundation.

(7) RETIREMENT PLAN:

A 401(k) Plan was started on January 1, 2005, and is available to all employees. The Agency contributes a percentage of the employee's annual salary to the plan based on years of service, up to a maximum of 5% for the years ended June 30, 2021 and 2020. There were employer contributions of \$60,273 and \$60,097 for the years ended June 30, 2021 and 2020, respectively.

(8) MAJOR SUPPORT AND REVENUE:

The Agency has a contract which must be renewed every year with the Illinois Department of Children and Family Services (DCFS) for Intact Family Services. The funding received under these agreements is 44% and 55% of the total unrestricted revenue and support received by the Agency for the years ended June 30, 2021 and 2020, respectively. The Agency also is required to be licensed as a Child Welfare Agency by DCFS.

(9) FEDERAL AND STATE GRANTS:

The Agency receives significant financial assistance from a state agency in the form of a grant. Program revenue in excess of program expenses is typically subject to recapture under various provisions. Additionally, the disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Agency.

(10) LETTER OF CREDIT:

The Agency has a letter of credit with a bank for Wisconsin unemployment in the amount of \$8,007 expiring on December 31, 2021. The letter of credit is collateralized by a certificate of deposit.

(11) FIRE DAMAGES:

In May 2018, the Agency had a fire which caused significant damage to the Agency building in Illinois. In 2018 the Agency disposed of \$540,573 in property and equipment and accumulated depreciation of \$485,912. This resulted in a loss of \$54,660. The Agency has filed a claim with their insurance company, The Agency has incurred the following related expenses:

	<u>As of June 30, 2020</u>	<u>During the year Ended June 30, 2021</u>	<u>As of June 30, 2021</u>
Building restoration	\$ 1,347,118	\$ -	\$ 1,347,118
Repairs and business interruption	<u>270,631</u>	<u>-</u>	<u>270,631</u>
Total	<u>\$ 1,617,749</u>	<u>\$ -</u>	<u>\$ 1,617,749</u>
	<u>As of June 30, 2019</u>	<u>During the year Ended June 30, 2020</u>	<u>As of June 30, 2020</u>
Building restoration	\$ 392,199	\$ 954,919	\$ 1,347,118
Repairs and business interruption	<u>161,151</u>	<u>109,480</u>	<u>270,631</u>
Total	<u>\$ 553,350</u>	<u>\$ 1,064,399</u>	<u>\$ 1,617,749</u>

The Agency has received a total of \$1,600,739 of insurance proceeds through June 30, 2021. The remaining amount on the claim has been approved by the insurance company. The restoration was completed in March, 2020.

(12) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 715,779	\$ 427,746
Investments	2,236,788	1,610,131
Receivables - program fees	<u>207,237</u>	<u>397,817</u>
Total financial assets	3,159,804	2,435,694
Less: Investments with liquidity horizon greater than one year	<u>2,236,788</u>	<u>1,610,131</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 923,016</u>	<u>\$ 825,563</u>

The Agency manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid costs to fund near-term operating needs.

Additionally, the Agency and the Foundation maintain a line of credit with an investment broker in which they can borrow up to 50% of qualified investments. The Agency also has received their fiscal year 2022 contract with Illinois Department of Children and Family Services.

(13) MANAGEMENT RESPONSE TO COVID-19:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In response to the effects of COVID-19, management is implementing strategies to help mitigate the losses in relation to this pandemic. The Agency cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Agency's operations and financial statements.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION BY AREA
JUNE 30, 2021

<u>ASSETS</u>	<u>Illinois</u>	<u>Wisconsin</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Total</u>
CURRENT ASSETS:					
Cash and cash equivalents	\$ 455,395	\$ 166,555	\$ 93,829	\$ -	\$ 715,779
Investments	7,649	7,507	2,221,632	-	2,236,788
Receivables - program fees	207,237	-	-	-	207,237
Other current assets	29,290	2,043	-	-	31,333
Total current assets	699,571	176,105	2,315,461	-	3,191,137
PROPERTY AND EQUIPMENT:					
Land	60,000	23,000	-	-	83,000
Building and improvements	1,433,242	189,671	-	-	1,622,913
Furniture and equipment	25,523	21,419	-	-	46,942
Automobiles	112,631	39,180	-	-	151,811
	1,631,396	273,270	-	-	1,904,666
Less - Accumulated depreciation	185,862	150,931	-	-	336,793
Net property and equipment	1,445,534	122,339	-	-	1,567,873
OTHER ASSETS:					
Certificate of deposit	-	8,007	-	-	8,007
Prepaid deposits	11,091	1,100	-	-	12,191
Total other assets	11,091	9,107	-	-	20,198
	\$ 2,156,196	\$ 307,551	\$ 2,315,461	\$ -	\$ 4,779,208
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable	\$ 30,596	\$ 3,760	\$ -	\$ -	\$ 34,356
Other liabilities and accrued expenses	142,979	3,312	-	-	146,291
Total current liabilities	173,575	7,072	-	-	180,647
COMMITMENTS					
NET ASSETS					
Without donor restrictions	1,970,121	300,479	2,315,461	-	4,586,061
With donor restrictions	12,500	-	-	-	12,500
Total net assets	1,982,621	300,479	2,315,461	-	4,598,561
	\$ 2,156,196	\$ 307,551	\$ 2,315,461	\$ -	\$ 4,779,208

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY AREA
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Illinois</u>	<u>Wisconsin</u>	<u>Foundation</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 391,394	\$ 206,495	\$ 12,643	\$ 610,532
Adoption fees	49,763	44,115	-	93,878
Counseling fees	3,587	-	-	3,587
Government payment for services	1,328,011	-	-	1,328,011
Special projects and events (net of direct expenses of \$38,465)	141,864	37,552	-	179,416
Income on investments	849	43	70,569	71,461
Net unrealized and realized gain (loss) on investments	2,932	-	407,521	410,453
Loan forgiveness income	230,826	85,374	-	316,200
	<u>2,149,226</u>	<u>373,579</u>	<u>490,733</u>	<u>3,013,538</u>
FUNCTIONAL EXPENSES:				
Adoption services	201,597	81,903	-	283,500
Pregnancy support services	221,140	121,243	-	342,383
Family and individual counseling	97,156	-	-	97,156
Intact family services	1,131,631	-	-	1,131,631
Management and general	268,599	47,192	8,746	324,537
Fundraising	150,143	56,056	-	206,199
	<u>2,070,266</u>	<u>306,394</u>	<u>8,746</u>	<u>2,385,406</u>
CHANGE IN NET ASSETS	78,960	67,185	481,987	628,132
NET ASSETS, Beginning of year	2,033,168	325,910	1,611,351	3,970,429
TRANSFERS BETWEEN FUNDS	<u>(129,507)</u>	<u>(92,616)</u>	<u>222,123</u>	<u>-</u>
NET ASSETS, End of year	<u>\$ 1,982,621</u>	<u>\$ 300,479</u>	<u>\$ 2,315,461</u>	<u>\$ 4,598,561</u>