

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

**COMBINED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022 AND 2021**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying combined financial statements of Evangelical Child and Family Agency and ECFA Foundation, Inc. (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Evangelical Child and Family Agency and ECFA Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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 generally accepted auditing standards 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 combined 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 Evangelical Child and Family Agency's and ECFA Foundation's 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 Evangelical Child and Family Agency's and ECFA Foundation's 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 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 September 30, 2022, on our consideration of Evangelical Child and Family Agency and ECFA Foundation, Inc.'s report on 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 report on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on report 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 report on internal control over financial reporting and compliance.


DUGAN & LOPATKA

Warrenville, Illinois
September 30, 2022

INDEPENDENT AUDITOR'S REPORT
ON REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON REPORT 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, 2022, 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 September 30, 2022.

Report on 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 report on 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 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
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Report on 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. 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
September 30, 2022

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

<u>A S S E T S</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 674,121	\$ 715,779
Receivables - program fees	510,560	207,237
Other current assets	37,936	31,333
Total current assets	<u>1,222,617</u>	<u>954,349</u>
PROPERTY AND EQUIPMENT:		
Land	83,000	83,000
Building and improvements	1,661,131	1,622,913
Furniture and equipment	46,942	46,942
Automobiles	151,811	151,811
	<u>1,942,884</u>	<u>1,904,666</u>
Less - Accumulated depreciation	375,195	336,793
Net property and equipment	<u>1,567,689</u>	<u>1,567,873</u>
OTHER ASSETS:		
Prepaid deposits	4,057	12,191
Investments	2,098,132	2,236,788
Certificate of deposit	8,007	8,007
Total other assets	<u>2,110,196</u>	<u>2,256,986</u>
	<u>\$ 4,900,502</u>	<u>\$ 4,779,208</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 25,451	\$ 34,356
Other liabilities and accrued expenses	268,342	146,291
Total current liabilities	<u>293,793</u>	<u>180,647</u>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions - undesignated	4,565,112	4,551,964
Without donor restrictions - board designation	34,097	34,097
With donor restrictions	7,500	12,500
Total net assets	<u>4,606,709</u>	<u>4,598,561</u>
	<u>\$ 4,900,502</u>	<u>\$ 4,779,208</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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 890,119	\$ 7,500	\$ 897,619	\$ 598,032	\$ 12,500	\$ 610,532
Adoption fees	122,384	-	122,384	93,878	-	93,878
Counseling fees	5,350	-	5,350	3,587	-	3,587
Government payment for services	1,452,779	-	1,452,779	1,328,011	-	1,328,011
Special projects and events (net of direct expenses of \$117,179 in 2022 and \$38,465 in 2021)	160,887	-	160,887	179,416	-	179,416
Dividends and interest	155,792	-	155,792	71,461	-	71,461
Loan forgiveness income	-	-	-	316,200	-	316,200
(Loss) on disposal of fixed asset	(2,331)	-	(2,331)	-	-	-
Net unrealized and realized gains (losses) on investments	(363,683)	-	(363,683)	410,453	-	410,453
Total support and revenue	<u>2,421,297</u>	<u>7,500</u>	<u>2,428,797</u>	<u>3,001,038</u>	<u>12,500</u>	<u>3,013,538</u>
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	<u>12,500</u>	<u>(12,500)</u>	<u>-</u>	<u>19,000</u>	<u>(19,000)</u>	<u>-</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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program -						
Adoption services	\$ 295,300	\$ -	\$ 295,300	\$ 283,500	\$ -	\$ 283,500
Pregnancy support services	281,688	-	281,688	342,383	-	342,383
Family and individual counseling	57,926	-	57,926	97,156	-	97,156
Intact family services	1,265,091	-	1,265,091	1,131,631	-	1,131,631
Total program expense	1,900,005	-	1,900,005	1,854,670	-	1,854,670
Management and general	320,977	-	320,977	324,537	-	324,537
Fundraising	199,667	-	199,667	206,199	-	206,199
Total functional expenses	2,420,649	-	2,420,649	2,385,406	-	2,385,406
CHANGE IN NET ASSETS	13,148	(5,000)	8,148	634,632	(6,500)	628,132
NET ASSETS, Beginning of year	4,586,061	12,500	4,598,561	3,951,429	19,000	3,970,429
NET ASSETS, End of year	<u>\$ 4,599,209</u>	<u>\$ 7,500</u>	<u>\$ 4,606,709</u>	<u>\$ 4,586,061</u>	<u>\$ 12,500</u>	<u>\$ 4,598,561</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,148	\$ 628,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,149	69,677
Unrealized and realized (gain) loss on investments	363,683	(410,453)
Loss on disposal of asset	2,331	-
Loan forgiveness income	-	(316,200)
Donated investments	-	(4,497)
Insurance proceeds for casualty loss	-	632,868
(Increase) decrease in receivables	(303,323)	190,580
(Increase) decrease in other current assets	(6,603)	27,596
Decrease in prepaid deposits	8,134	200
(Decrease) in accounts payable	(8,905)	(207,202)
Increase (decrease) in other liabilities and accrued expenses	122,051	(82,136)
	<u>252,665</u>	<u>528,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(225,027)	(271,707)
Proceeds from sale of investments	-	60,000
Purchase of property and equipment	(69,296)	(28,825)
	<u>(294,323)</u>	<u>(240,532)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,658)	288,033
CASH AND CASH EQUIVALENTS, Beginning of year	<u>715,779</u>	<u>427,746</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 674,121</u>	<u>\$ 715,779</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, 2022

	Adoption Services	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fundraising	Total
Salaries	\$ 193,434	\$ 156,430	\$ 35,277	\$ 822,530	\$ 1,207,671	\$ 211,439	\$ 113,100	\$ 1,532,210
Employee benefits	34,998	37,271	5,587	155,810	233,666	29,162	17,783	280,611
Payroll taxes	12,645	11,887	2,355	53,141	80,028	13,361	7,641	101,030
Professional fees	13,442	15,096	756	9,120	38,414	4,018	3,907	46,339
Supplies	2,818	2,970	247	6,882	12,917	1,500	2,827	17,244
Telephone	3,799	4,712	183	9,274	17,968	597	825	19,390
Postage	759	1,358	138	1,606	3,861	637	5,141	9,639
Occupancy	5,626	7,174	3,120	7,800	23,720	6,031	2,835	32,586
Printing	110	150	128	615	1,003	496	28,311	29,810
Subscriptions	275	51	215	164	705	147	-	852
Local transportation	3,312	7,682	54	12,340	23,388	5,125	1,214	29,727
Conferences	2,181	1,285	98	9,561	13,125	5,092	139	18,356
Specific assistance	95	6,413	235	124,311	131,054	-	-	131,054
Membership dues	367	129	56	3,422	3,974	825	3,084	7,883
Insurance	4,105	5,071	2,812	7,030	19,018	10,542	2,245	31,805
Equipment rental and maintenance	7,226	8,625	710	19,033	35,594	7,184	4,924	47,702
Miscellaneous	482	441	6	1,282	2,211	14,774	277	17,262
Depreciation	9,626	14,943	5,949	21,170	51,688	10,047	5,414	67,149
Total functional expenses	<u>\$ 295,300</u>	<u>\$ 281,688</u>	<u>\$ 57,926</u>	<u>\$ 1,265,091</u>	<u>\$ 1,900,005</u>	<u>\$ 320,977</u>	<u>\$ 199,667</u>	<u>\$ 2,420,649</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.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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 September 30, 2022, 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. As of June 30, 2022 and 2021, the Agency has designated \$34,097 for capital improvements.

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, 2022 and 2021, the net assets, with donor restrictions is for pregnancy support services of \$7,500 and \$12,500, respectively.

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. Realized and unrealized gains and losses are reflected in the statement of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of market risk associated with certain investment securities, it is 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 statement of financial position.

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, 2022 and 2021, amounted to \$67,149 and \$69,677, respectively.

In-Kind Contributions -

Contributed nonfinancial assets include donated property, marketable securities and other non-cash donations which are recorded at the respective fair values of the goods received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration and fundraising development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of the donation.

(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 considered a single performance obligation that is recognized when the adoption step has occurred. For counseling fees, revenue is considered 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.

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

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.

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 2019. The Agency and Foundation do not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) INVESTMENTS:

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

<u>Summary of Investments</u>	<u>2022</u>		<u>2021</u>	
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>
Evangelical Child and Family Agency -				
Mutual funds	\$ 728	\$ 82	\$ 407	\$ 40
Stocks	<u>17,033</u>	<u>13,315</u>	<u>14,749</u>	<u>7,609</u>
	17,761	13,397	15,156	7,649
ECFA Foundation -				
Mutual funds	<u>2,080,371</u>	<u>1,421,233</u>	<u>2,221,632</u>	<u>1,356,206</u>
Total investments	<u>\$ 2,098,132</u>	<u>\$ 1,434,630</u>	<u>\$ 2,236,788</u>	<u>\$ 1,363,855</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, 2022 and 2021.

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

Mutual Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

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, 2022 and 2021 are as follow:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments -				
Stocks	\$ 17,033	\$ -	\$ -	\$ 17,033
Mutual funds	<u>2,081,099</u>	<u>-</u>	<u>-</u>	<u>2,081,099</u>
Total investments	<u>\$ 2,098,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,098,132</u>
<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>

(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, 2022 and 2021, there was no outstanding balance on these loans.

(5) NOTE PAYABLE:

The Agency applied for and was notified that \$316,200 in eligible expenditures for payroll and other expenses described in the CARES Act had been forgiven for year ending June 30, 2021. Loan forgiveness is reflected as loan forgiveness income in the accompanying statement of activities.

(6) RELATED PARTY TRANSACTIONS:

The Agency has a line-of-credit arrangement that provides for a maximum borrowing of \$300,000 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, 2022 and 2021, the line of credit had a \$-0- balance. The line-of-credit note comes due on June 30, 2023.

(6) RELATED PARTY TRANSACTIONS: (Continued)

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 \$58,370 and \$60,000 to the Agency for the years ended June 30, 2022 and 2021, respectively. The Agency contributed \$107,091 and \$282,123 to the Foundation for the years ended June 30, 2022 and 2021. 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, 2022 and 2021. There were employer contributions of \$58,514 and \$60,273 for the years ended June 30, 2022 and 2021, 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 58% and 44% of the total unrestricted revenue and support received by the Agency for the years ended June 30, 2022 and 2021, 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, 2025. The letter of credit is collateralized by a certificate of deposit.

(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:

(12) LIQUIDITY AND AVAILABILITY: (Continued)

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 674,121	\$ 715,779
Investments	2,098,132	2,236,788
Receivables - program fees	<u>510,560</u>	<u>207,237</u>
 Total financial assets	 3,282,813	 3,159,804
 Less: Investments with liquidity horizon greater than one year	 <u>2,098,132</u>	 <u>2,236,788</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>\$ 1,184,681</u>	 <u>\$ 923,016</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.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION BY AREA
JUNE 30, 2022

<u>ASSETS</u>	<u>Illinois</u>	<u>Wisconsin</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Total</u>
CURRENT ASSETS:					
Cash and cash equivalents	\$ 336,889	\$ 237,028	\$ 100,204	\$ -	\$ 674,121
Receivables - program fees	510,560	-	-	-	510,560
Other current assets	31,288	6,648	-	-	37,936
Total current assets	878,737	243,676	100,204	-	1,222,617
PROPERTY AND EQUIPMENT:					
Land	60,000	23,000	-	-	83,000
Building and improvements	1,452,777	208,354	-	-	1,661,131
Furniture and equipment	25,523	21,419	-	-	46,942
Automobiles	112,631	39,180	-	-	151,811
	1,650,931	291,953	-	-	1,942,884
Less - Accumulated depreciation	210,981	164,214	-	-	375,195
Net property and equipment	1,439,950	127,739	-	-	1,567,689
OTHER ASSETS:					
Certificate of deposit	-	8,007	-	-	8,007
Investments	10,203	7,558	2,080,371	-	2,098,132
Prepaid deposits	2,757	1,300	-	-	4,057
Total other assets	12,960	16,865	2,080,371	-	2,110,196
	\$ 2,331,647	\$ 388,280	\$ 2,180,575	\$ -	\$ 4,900,502
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Accounts payable	\$ 19,325	\$ 6,126	\$ -	\$ -	\$ 25,451
Other liabilities and accrued expenses	266,666	1,676	-	-	268,342
Total current liabilities	285,991	7,802	-	-	293,793
COMMITMENTS					
NET ASSETS					
Without donor restrictions	2,038,156	380,478	2,180,575	-	4,599,209
With donor restrictions	7,500	-	-	-	7,500
Total net assets	2,045,656	380,478	2,180,575	-	4,606,709
	\$ 2,331,647	\$ 388,280	\$ 2,180,575	\$ -	\$ 4,900,502

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY AREA
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Illinois</u>	<u>Wisconsin</u>	<u>Foundation</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 632,663	\$ 230,304	\$ 34,652	\$ 897,619
Adoption fees	64,759	57,625	-	122,384
Counseling fees	5,350	-	-	5,350
Government payment for services	1,452,779	-	-	1,452,779
Special projects and events (net of direct expenses of \$117,179)	136,892	23,995	-	160,887
Income on investments	-	142	155,650	155,792
Net unrealized and realized (loss) on investments	(1,350)	-	(362,333)	(363,683)
Loss on disposal of fixed asset	(2,331)	-	-	(2,331)
	<u>2,288,762</u>	<u>312,066</u>	<u>(172,031)</u>	<u>2,428,797</u>
FUNCTIONAL EXPENSES:				
Adoption services	203,857	91,443	-	295,300
Pregnancy support services	194,603	87,085	-	281,688
Family and individual counseling	57,926	-	-	57,926
Intact family services	1,265,091	-	-	1,265,091
Management and general	275,433	33,968	11,576	320,977
Fundraising	159,096	40,571	-	199,667
	<u>2,156,006</u>	<u>253,067</u>	<u>11,576</u>	<u>2,420,649</u>
CHANGE IN NET ASSETS	132,756	58,999	(183,607)	8,148
NET ASSETS, Beginning of year	1,982,621	300,479	2,315,461	4,598,561
TRANSFERS BETWEEN FUNDS	(69,721)	21,000	48,721	-
NET ASSETS, End of year	<u>\$ 2,045,656</u>	<u>\$ 380,478</u>	<u>\$ 2,180,575</u>	<u>\$ 4,606,709</u>