

**HCS FAMILY SERVICES  
REPORT ON THE AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

## HCS FAMILY SERVICES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
HCS Family Services

We have audited the accompanying financial statements of HCS Family Services (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HCS Family Services as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Kuntle & Associates, P.C.*

**HCS FAMILY SERVICES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

**ASSETS**

	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 24,131	\$ 63,528
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	50,700	101,400
Prepaid Supplies	5,568	6,671
	80,399	171,599
<b>FIXED ASSETS</b>		
Furniture and Equipment	53,867	53,867
Vehicle	49,705	19,580
	103,572	73,447
Less – Accumulated Depreciation	61,642	50,602
	41,930	22,845
<b>TOTAL ASSETS</b>	\$ 122,329	\$ 194,444

**LIABILITIES AND NET ASSETS**

	<b>2016</b>	<b>2015</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,276	\$ 7,846
Accrued Payroll	2,282	2,147
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	5,558	9,993
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	5,558	9,993
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted - Undesignated	107,617	176,027
Unrestricted - Board Designated	6,654	4,424
Temporarily Restricted	2,500	4,000
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	116,771	184,451
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 122,329</u>	<u>\$ 194,444</u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUES</b>				
In-Kind Donations	\$ 997,400	\$ 0	\$ 0	\$ 997,400
Contributions	163,982	0	0	163,982
Grants	31,800	32,500	0	64,300
Interest	1	0	0	1
Net Assets Released from Restrictions	34,000	(34,000)	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>1,227,183</u>	<u>(1,500)</u>	<u>0</u>	<u>1,225,683</u>
<b>FUNCTIONAL EXPENSES</b>				
Program Services	1,099,805	0	0	1,099,805
Management and General	122,232	0	0	122,232
Fundraising	71,326	0	0	71,326
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>1,293,363</u>	<u>0</u>	<u>0</u>	<u>1,293,363</u>
<b>CHANGE IN NET ASSETS</b>	(66,180)	(1,500)	0	(67,680)
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>180,451</u>	<u>4,000</u>	<u>0</u>	<u>184,451</u>
<b>END OF YEAR</b>	<u>\$ 114,271</u>	<u>\$ 2,500</u>	<u>\$ 0</u>	<u>\$ 116,771</u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUES</b>				
In-Kind Donations	\$ 1,092,854	\$ 0	\$ 0	\$ 1,092,854
Grants	189,900	4,000	0	193,900
Contributions	187,406	0	0	187,406
Special Events (Net of Cost of Direct Benefits to Donors of \$329)	1,794	0	0	1,794
Miscellaneous	100			100
Interest	9	0	0	9
Net Assets Released from Restrictions	21,250	(21,250)	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>1,493,313</b>	<b>(17,250)</b>	<b>0</b>	<b>1,476,063</b>
<b>FUNCTIONAL EXPENSES</b>				
Program Services	1,218,705	0	0	1,218,705
Management and General	123,633	0	0	123,633
Fundraising	75,489	0	0	75,489
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,417,827</b>	<b>0</b>	<b>0</b>	<b>1,417,827</b>
<b>CHANGE IN NET ASSETS</b>	<b>75,486</b>	<b>(17,250)</b>	<b>0</b>	<b>58,236</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>104,965</b>	<b>21,250</b>	<b>0</b>	<b>126,215</b>
<b>END OF YEAR</b>	<b>\$ 180,451</b>	<b>\$ 4,000</b>	<b>\$ 0</b>	<b>\$ 184,451</b>

See The Accompanying Notes To The Financial Statements.



**HCS FAMILY SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total
<b>FUNCTIONAL EXPENSES</b>				
Accounting Fees	\$ 0	\$ 8,400	\$ 0	\$ 8,400
Advertising	3,987	0	3,987	7,974
Assistance to Individuals	977,685	0	0	977,685
Bank Fees	0	612	0	612
Contract Services	0	13,163	0	13,163
Depreciation	0	11,040	0	11,040
Donated Facilities	15,336	15,336	15,336	46,008
Donated Services	0	8,310	0	8,310
Equipment Repair and Maintenance	50	50	50	150
Insurance	0	7,973	0	7,973
Memberships and Subscriptions	330	165	330	825
Miscellaneous	0	145	0	145
Payroll	81,843	40,921	40,922	163,686
Payroll - Administrative Fee	0	2,400	0	2,400
Payroll Taxes and Benefits	15,724	7,862	7,862	31,448
Postage	59	29	59	147
Printing and Copying	49	24	48	121
Reimbursed Mileage	0	885	0	885
Staff Development	0	2,184	0	2,184
Supplies	723	723	723	2,169
Telephone and Internet	3,369	1,685	1,684	6,738
Travel	650	325	325	1,300
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,099,805</b>	<b>\$ 122,232</b>	<b>\$ 71,326</b>	<b>\$ 1,293,363</b>

**See The Accompanying Notes To The Financial Statements.**

**HCS FAMILY SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services	Management and General	Fundraising	Total
<b>FUNCTIONAL EXPENSES</b>				
Accounting Fees	\$ 0	\$ 11,775	\$ 0	\$ 11,775
Advertising	206	0	206	412
Assistance to Individuals	1,069,859	0	0	1,069,859
Bad Debt	15,000	0	0	15,000
Bank Fees	0	722	0	722
Contract Services	0	7,925	0	7,925
Depreciation	0	11,243	0	11,243
Donated Facilities	15,336	15,336	15,336	46,008
Donated Services	0	8,329	0	8,329
Equipment Repair and Maintenance	53	26	53	132
Insurance	0	5,526	0	5,526
Interest	0	60	0	60
Memberships and Subscriptions	364	182	364	910
Miscellaneous	0	460	0	460
Payroll	95,954	47,977	47,977	191,908
Payroll - Administrative Fee	0	2,755	0	2,755
Payroll Taxes and Benefits	17,071	8,536	8,536	34,143
Postage	796	398	796	1,990
Printing and Copying	22	11	22	55
Reimbursed Mileage	0	134	0	134
Staff Development	0	39	0	39
Supplies	354	354	354	1,062
Telephone and Internet	3,298	1,649	1,649	6,596
Travel	392	196	196	784
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,218,705</b>	<b>\$ 123,633</b>	<b>\$ 75,489</b>	<b>\$ 1,417,827</b>

**See The Accompanying Notes To The Financial Statements.**

**HCS FAMILY SERVICES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Public and Grants	\$ 278,982	\$ 385,947
Interest Received	1	9
Paid to Suppliers and Employees	(288,255)	(318,722)
Interest Paid	0	(60)
Income Taxes Paid	0	0
	(9,272)	67,174
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Purchase of Fixed Assets	(30,125)	0
	(30,125)	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Note Payable	0	(5,644)
	0	(5,644)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(39,397)	61,530
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	63,528	1,998
<b>END OF YEAR</b>	\$ 24,131	\$ 63,528
<b>NON-CASH OPERATING ACTIVITIES</b>		
Donated Facilities	\$ 46,008	\$ 46,008
Donated Goods	943,082	1,038,517
Donated Services	8,310	8,329
<b>TOTAL NON-CASH OPERATING ACTIVITIES</b>	\$ 997,400	\$ 1,092,854

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ (67,680)</u>	<u>\$ 58,236</u>
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:		
Depreciation	11,040	11,243
Changes in Certain Assets and Liabilities:		
Grants Receivable	50,700	(5,150)
Prepaid Supplies	1,103	(2,606)
Accounts Payable	(4,570)	3,304
Accrued Payroll	135	2,147
Total Adjustments	<u>58,408</u>	<u>8,938</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (9,272)</u></u>	<u><u>\$ 67,174</u></u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1- NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A) Nature of Organization

HCS Family Services (the "Organization") is an Illinois nonprofit organization providing emergency or interim assistance to individuals who are not eligible for public aid and serves residents of Hinsdale, Clarendon Hills, Oak Brook, Willowbrook, Burr Ridge, Darien, Westmont and surrounding unincorporated areas. A summary of the Organization's program services are described below:

*Elites* - Empowers individuals and families dependent on community and government supports to achieve self-sufficiency within a three year period through extensive cash management, advocacy, educational workshops and support services. The program also provides tools that allow participants to become independent from assistance.

*Emergency Services* - Helps families to avoid eviction or foreclosure through short-term rent and mortgage assistance. Services offered are rental assistance, security deposit assistance and supportive services to help obtain and maintain housing.

*Food Pantry Services* - Provides families with nutritious foods and household items based on individual preferences and needs.

B) Basis of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Expenses are recorded when incurred.

C) Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

**HCS FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)**

D) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Allowance for Doubtful Accounts - Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. The allowance for doubtful accounts at June 30, 2016 and 2015 is \$0, respectively.

Fixed Assets - Fixed asset purchases are recorded at cost, while donated fixed assets are recorded at fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line and accelerated methods over various useful lives. Depreciation expense for the years ended June 30, 2016 and 2015 is \$11,040 and \$11,243, respectively.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

**HCS FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 - GRANTS RECEIVABLE**

Grants receivable are deemed to be fully collectible by management and are composed of the following at June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
United Way	\$ 50,700	\$ 101,400
	<u>\$ 50,700</u>	<u>\$ 101,400</u>

**NOTE 3 - NET ASSET RESTRICTIONS AND DESIGNATIONS**

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Emergency Services	\$ 2,500	\$ 0
Video Program	0	4,000
	<u>\$ 2,500</u>	<u>\$ 4,000</u>

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Emergency Services	\$ 30,000	\$ 15,000
Video Program	4,000	0
ELITES	0	6,250
	<u>\$ 34,000</u>	<u>\$ 21,250</u>

The Board of Directors has made a designation of unrestricted net assets of \$4,000 and \$5,000 during the years ended June 30, 2016 and 2015, respectively. Of these amounts, \$1,771 and \$576 were released for designated activities, during the year ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, \$6,654 and \$4,424 are designated for the Milk and Junior Board programs, respectively.

**HCS FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 4 - SUMMARY OF GRANTS**

The Organization received the following grants during the years ended June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Grantor		
Community Memorial Foundation	\$ 31,800	\$ 29,000
Mark Morton Memorial Fund	30,000	0
DuPage Community Foundation	2,500	0
United Way	0	101,400
Ronald L. McDaniel Foundation	0	50,000
First Nonprofit Foundation	0	11,000
Walmart	0	2,500
	<u>\$ 64,300</u>	<u>\$ 193,900</u>

**NOTE 5 - IN-KIND DONATIONS**

Donated Facilities

Donated facilities are recognized as in-kind donation revenues at their estimated fair value when contributed to the Organization. During the years ended June 30, 2016 and 2015, the Organization received donated facilities for the main operating locations valued at \$46,008, respectively. These amounts are shown as in-kind donations revenue on the statements of activities and donated facilities expense on the statements of functional expenses.

Donated Goods

Donated goods are recognized as a contribution at their estimated fair value when donated to the Organization. During the years ended June 30, 2016 and 2015, the Organization received donated food, clothing, furniture, and holiday gifts for distribution through the Organization's assistance programs, respectively. Total donated goods for the years ended June 30, 2016 and 2015 are valued at \$943,082 and \$1,038,517, respectively. These amounts are shown as in-kind donations revenue on the statements of activities and as assistance to individuals on the statements of functional expenses.



**HCS FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 5 - IN-KIND DONATIONS (CONTINUED)**

Donated Services

Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the years ended June 30, 2016 and 2015, donated payroll services amount to \$1,810 and \$1,540, respectively, and are reflected in the statement of activities as in-kind revenues and as administrative service fees on the statement of functional expenses. For the years ended June 30, 2016 and 2015, donated phone service and maintenance amounts to \$6,500 and \$6,789, respectively, and are reflected in the statements of activities as in-kind revenues and management and general expenses. The Organization also receives donated services from volunteers who assist in a variety of tasks associated with collecting and storing in kind donations. No amounts have been recognized in the accompanying statements for these volunteer services because the criteria for recognition of such volunteer effort have not been satisfied.

**NOTE 6 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 24, 2017, the date the financial statements were available to be issued.