

**HCS FAMILY SERVICES
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

HCS FAMILY SERVICES

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statement of Activities	
For the Year Ended June 30, 2018	5
For the Year Ended June 30, 2017	6
Statement of Functional Expenses	
For the Year Ended June 30, 2018	7
For the Year Ended June 30, 2017	8
Statements of Cash Flows	9 - 10
Notes to the Financial Statements	11 - 15



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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Knuttle & Associates, P.C.

**HCS FAMILY SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 231,860	\$ 245,634
Prepaid Supplies	3,748	2,631
	<u>235,608</u>	<u>248,265</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Furniture and Equipment	83,685	69,962
Vehicle	30,125	30,125
Leasehold Improvements	6,631	6,631
	<u>120,441</u>	<u>106,718</u>
Less – Accumulated Depreciation and Amortization	74,814	62,221
	<u>45,627</u>	<u>44,497</u>
TOTAL FIXED ASSETS		
TOTAL ASSETS	<u>\$ 281,235</u>	<u>\$ 292,762</u>

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts Payable	\$ 2,781	\$ 27,270
Accrued Payroll	0	930
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	2,781	28,200
	<hr/>	<hr/>
TOTAL LIABILITIES	2,781	28,200
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	278,454	264,562
	<hr/>	<hr/>
TOTAL NET ASSETS	278,454	264,562
	<hr/>	<hr/>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 281,235</u>	 <u>\$ 292,762</u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
In-Kind Donations	\$ 825,280	\$ 0	\$ 0	\$ 825,280
Grants	208,540	2,340	0	210,880
Contributions	141,463	0	0	141,463
Special Events (Net of Direct Benefit to Donors of \$0)	3,664	0	0	3,664
Interest	1,049	0	0	1,049
Net Assets Released from Restrictions	2,340	(2,340)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>1,182,336</u>	<u>0</u>	<u>0</u>	<u>1,182,336</u>
FUNCTIONAL EXPENSES				
Program Services	1,055,373	0	0	1,055,373
Management and General	40,635	0	0	40,635
Fundraising	72,436	0	0	72,436
TOTAL FUNCTIONAL EXPENSES	<u>1,168,444</u>	<u>0</u>	<u>0</u>	<u>1,168,444</u>
CHANGE IN NET ASSETS	13,892	0	0	13,892
NET ASSETS,				
BEGINNING OF YEAR	<u>264,562</u>	<u>0</u>	<u>0</u>	<u>264,562</u>
END OF YEAR	<u>\$ 278,454</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 278,454</u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND GAINS				
In-Kind Donations	\$ 1,042,502	\$ 0	\$ 0	\$ 1,042,502
Grants	295,000	2,950	0	297,950
Contributions	127,953	0	0	127,953
Gain on Sale of Fixed Asset	2,168	0	0	2,168
Interest	211	0	0	211
Special Events (Net of Direct Benefit to Donors of \$2,747)	(1,298)	0	0	(1,298)
Net Assets Released from Restrictions	5,450	(5,450)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	1,471,986	(2,500)	0	1,469,486
FUNCTIONAL EXPENSES				
Program Services	1,072,918	0	0	1,072,918
Management and General	162,885	0	0	162,885
Fundraising	85,892	0	0	85,892
TOTAL FUNCTIONAL EXPENSES	1,321,695	0	0	1,321,695
CHANGE IN NET ASSETS	150,291	(2,500)	0	147,791
NET ASSETS, BEGINNING OF YEAR	114,271	2,500	0	116,771
END OF YEAR	\$ 264,562	\$ 0	\$ 0	\$ 264,562

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES				
Accounting Fees	\$ 2,593	\$ 2,594	\$ 2,593	\$ 7,780
Advertising	0	200	600	800
Assistance to Individuals	777,854	0	0	777,854
Bank Fees	0	0	642	642
Contract Services	3,141	7,877	6,976	17,994
Depreciation and Amortization	11,537	528	528	12,593
Donated Facilities	85,309	2,272	5,776	93,357
Donated Services	0	1,900	0	1,900
Equipment Repair and Maintenance	6,556	1,639	0	8,195
Insurance	10,245	2,682	0	12,927
Legal	0	10	0	10
Memberships and Subscriptions	964	104	0	1,068
Miscellaneous	1,007	1,219	0	2,226
Payroll	122,233	15,071	38,489	175,793
Payroll - Administrative Fee	1,970	217	551	2,738
Payroll Taxes and Benefits	20,978	2,307	5,867	29,152
Postage	0	0	911	911
Printing and Copying	0	104	6,019	6,123
Supplies	571	571	571	1,713
Telephone and Internet	10,415	1,146	2,913	14,474
Travel	0	194	0	194
TOTAL FUNCTIONAL EXPENSES	\$ 1,055,373	\$ 40,635	\$ 72,436	\$ 1,168,444

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES				
Accounting Fees	\$ 0	\$ 19,000	\$ 0	\$ 19,000
Advertising	486	0	485	971
Assistance to Individuals	938,041	0	0	938,041
Bank Fees	0	709	0	709
Contract Services	0	24,176	0	24,176
Depreciation and Amortization	0	12,327	0	12,327
Donated Facilities	30,869	30,869	30,869	92,607
Donated Services	0	12,469	0	12,469
Equipment Repair and Maintenance	2,355	1,983	2,354	6,692
Insurance	0	8,063	0	8,063
Interest	0	83	0	83
Memberships and Subscriptions	891	446	891	2,228
Payroll	77,991	38,995	38,996	155,982
Payroll - Administrative Fee	0	2,062	0	2,062
Payroll Taxes and Benefits	15,166	7,583	7,584	30,333
Postage	830	415	831	2,076
Printing and Copying	354	177	354	885
Supplies	1,122	1,122	1,122	3,366
Telephone and Internet	4,228	2,114	2,114	8,456
Travel	585	292	292	1,169
TOTAL FUNCTIONAL EXPENSES	\$ 1,072,918	\$ 162,885	\$ 85,892	\$ 1,321,695

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Public and Grants	\$ 356,007	\$ 478,052
Interest Received	1,049	211
Paid to Suppliers and Employees	(357,107)	(266,677)
Interest Paid	0	(83)
Income Taxes Paid	0	0
	<u> </u>	<u> </u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(51)</u>	<u>211,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Fixed Assets	0	10,000
Payments for Purchase of Fixed Assets	(13,723)	0
	<u> </u>	<u> </u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(13,723)</u>	<u>10,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on Line of Credit	0	39,800
Repayments on Line of Credit	0	(39,800)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(13,774)</u>	<u>221,503</u>
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>245,634</u>	<u>24,131</u>
END OF YEAR	<u><u>\$ 231,860</u></u>	<u><u>\$ 245,634</u></u>
NON-CASH OPERATING ACTIVITIES		
Donated Facilities	\$ 93,357	\$ 92,607
Donated Goods	730,023	914,700
Donated Services	1,900	12,469
	<u> </u>	<u> </u>
TOTAL NON-CASH OPERATING ACTIVITIES	<u><u>\$ 825,280</u></u>	<u><u>\$ 1,019,776</u></u>
NON-CASH INVESTING ACTIVITIES		
Donated Fixed Assets	\$ 0	\$ 22,726
	<u> </u>	<u> </u>
TOTAL NON-CASH INVESTING ACTIVITIES	<u><u>\$ 0</u></u>	<u><u>\$ 22,726</u></u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 13,892</u>	<u>\$ 147,791</u>
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:		
Depreciation and Amortization	12,593	12,327
Donated Fixed Assets	0	(22,726)
Gain on Sale of Fixed Asset	0	(2,168)
Changes in Certain Assets and Liabilities:		
Grants Receivable	0	50,700
Prepaid Supplies	(1,117)	2,937
Accounts Payable	(24,489)	23,994
Accrued Payroll	(930)	(1,352)
Total Adjustments	<u>(13,943)</u>	<u>63,712</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (51)</u></u>	<u><u>\$ 211,503</u></u>

See The Accompanying Notes To The Financial Statements.

**HCS FAMILY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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:

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.

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.

**HCS FAMILY SERVICES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

D) Accounting Policies (Continued)

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, 2018 and 2017 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. The Organization capitalizes capital expenditures above \$1,000. Depreciation and amortization is computed on the straight-line and accelerated methods over various useful lives. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 is \$12,593 and \$12,327, 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. The Organization files its tax returns with the U.S. federal and various state and local jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for tax years 2014 and prior.

**HCS FAMILY SERVICES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - LINE OF CREDIT

The Organization has a \$50,000 line of credit with Evergreen Bank Group dated June 1, 2018, with interest at prime plus 5% maturing on June 1, 2019. The line of credit is secured by business assets. At June 30, 2018 and 2017, the balance on the line of credit is \$0.

NOTE 3 - NET ASSET RESTRICTIONS AND DESIGNATIONS

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at June 30, 2018 and 2017:

	2018	2017
Equipment Purchase	\$ 2,340	\$ 0
Emergency Services	0	2,500
Executive Coaching	0	2,950
	<u>\$ 2,340</u>	<u>\$ 5,450</u>

NOTE 4 - SUMMARY OF GRANTS

The Organization received the following grants during the years ended June 30, 2018 and 2017:

	2018	2017
Grantor		
Hinsdale Junior Woman's Club	\$ 153,450	\$ 240,000
Enterprise Holdings Foundation	20,000	20,000
The Grainger Foundation	20,000	0
Anonymous	10,000	10,000
The Graff Charitable Foundation	2,500	0
Blue Cross Blue Shield	2,500	0
DuePage Foundation	2,430	0
Community Memorial Foundation	0	27,950
	<u>\$ 210,880</u>	<u>\$ 297,950</u>

**HCS FAMILY SERVICES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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, 2018 and 2017, the Organization received donated facilities valued at \$93,357 and \$92,607, respectively. These amounts are shown within 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, 2018 and 2017, 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, 2018 and 2017 are valued at \$730,023 and \$914,700, respectively. These amounts are shown within in-kind donations revenue on the statements of activities and within assistance to individuals on the statements of functional expenses.

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, 2018 and 2017, donated payroll services, phone service, and marketing service amount to \$1,900 and \$12,469, respectively, and are reflected in the statements of activities as in-kind revenues and donated services on the statements of functional 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.

Donated Fixed Assets

Donated fixed assets are recognized as in-kind revenues at fair value on the date of donation. For the year ended June 30, 2017, donated fixed assets amount to \$22,726. This amount is shown within in-kind revenue in the statement of activities and furniture and equipment and leasehold improvements on the statements of financial position.

**HCS FAMILY SERVICES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 6 - LEASE COMMITMENTS

The Organization leases a pantry under a twenty year non-cancellable operating lease through December 31, 2037. Yearly rent under this lease is \$1,000. Future minimum payments under the lease are as follows:

For the year ended June 30, 2019	1,000
2020	1,000
2021	1,000
2022	1,000
2023	1,000
2024 - 2028	5,000
2029 - 2033	5,000
2034 - 2038	4,000
	<hr/>
	\$ 19,000
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NOTE 7 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is August 29, 2018, the date the financial statements were available to be issued.