



HCS FAMILY SERVICES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2019



SIKICH.COM

HCS FAMILY SERVICES
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	3-4
FINANCIAL STATEMENTS	
Statement of Financial Position	5-6
Statement of Activities.....	7
Statement of Functional Expenses	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10-16

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HCS Family Services

Report on the Financial Statements

We have audited the accompanying financial statements of HCS Family Services (the Organization) (an Illinois not-for-profit organization), which comprises the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

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

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, 2019, and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the entity adopted new accounting guidance as issued by the Financial Accounting Standards Board under Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Sikich LLP

Naperville, Illinois
January 20, 2020

FINANCIAL STATEMENTS

HCS FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	367,284
Accounts receivable		500
Rent receivable		48,137
Prepaid supplies		2,099
Prepaid expenses		2,762

Total current assets		<u>420,782</u>
----------------------	--	----------------

FIXED ASSETS

Furniture and equipment		92,479
Vehicle		30,124
Leasehold improvements		6,631

Subtotal		129,234
----------	--	---------

Less accumulated depreciation and amortization		<u>(88,949)</u>
--	--	-----------------

Total fixed assets		<u>40,285</u>
--------------------	--	---------------

TOTAL ASSETS	\$	<u><u>461,067</u></u>
---------------------	-----------	------------------------------

(This statement is continued on the following page.)

HCS FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION (Continued)

June 30, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 2,781

Total current liabilities 2,781

Total liabilities 2,781

NET ASSETS

Without donor restrictions 387,138

With donor restrictions 71,148

Total net assets 458,286

TOTAL LIABILITIES AND NET ASSETS \$ 461,067

See accompanying notes to financial statements.

HCS FAMILY SERVICES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
In-kind donations	\$ 820,042	\$ 48,137	\$ 868,179
Grants	212,010	25,000	237,010
Contributions	179,194	-	179,194
Special events	43,355	-	43,355
Interest	4,500	-	4,500
Net assets released from restrictions	1,989	(1,989)	-
Total public support and revenue	1,261,090	71,148	1,332,238
EXPENSES			
Program services	1,045,451	-	1,045,451
Management and general	38,296	-	38,296
Fundraising	63,746	-	63,746
Direct benefit to donors	4,913	-	4,913
Total expenses	1,152,406	-	1,152,406
CHANGE IN NET ASSETS	108,684	71,148	179,832
NET ASSETS, BEGINNING OF YEAR	278,454	-	278,454
NET ASSETS, END OF YEAR	\$ 387,138	\$ 71,148	\$ 458,286

See accompanying notes to financial statements.

HCS FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total
FUNCTIONAL EXPENSES					
Accounting fees	\$ 2,558	\$ 2,635	\$ 2,558	\$ -	\$ 7,751
Advertising	-	524	1,571	-	2,095
Direct client assistance	765,644	-	-	-	765,644
Bank fees	-	-	1,209	-	1,209
Contract services	2,266	5,864	5,198	-	13,328
Depreciation and amortization	13,005	565	565	-	14,135
Facilities and occupancy	89,492	3,891	3,891	-	97,274
Equipment repair and maintenance	4,394	1,098	-	-	5,492
Insurance	9,210	2,303	-	-	11,513
Legal	-	15	-	-	15
Memberships and subscriptions	977	109	-	-	1,086
Miscellaneous	2,088	2,550	-	-	4,638
Payroll	124,233	13,804	34,509	-	172,546
Payroll administrative fee	3,913	435	1,087	-	5,435
Payroll taxes and benefits	20,179	2,242	5,605	-	28,026
Postage	-	-	344	-	344
Printing and copying	-	90	4,389	-	4,479
Supplies	1,023	1,054	1,023	-	3,100
Telephone and internet	6,469	719	1,797	-	8,985
Travel	-	398	-	-	398
Total expenses before cost of sales	1,045,451	38,296	63,746	-	1,147,493
COST OF SALES					
Direct benefit to donors					
Meals	-	-	-	3,350	3,350
Entertainment	-	-	-	1,563	1,563
TOTAL EXPENSES	\$ 1,045,451	\$ 38,296	\$ 63,746	\$ 4,913	\$ 1,152,406

See accompanying notes to financial statements.

HCS FAMILY SERVICES

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 179,832
Adjustments to reconcile change in net assets to cash from operating activities	
Depreciation and amortization	14,135
Changes in certain assets and liabilities	
Accounts receivable	(500)
Rent receivable	(48,137)
Prepaid supplies	1,649
Prepaid expenses	(2,762)
Total adjustments	(35,615)
Net cash from operating activities	144,217

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(8,793)
Net cash from investing activities	(8,793)

NET INCREASE IN CASH AND CASH EQUIVALENTS 135,424

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 231,860

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 367,284

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ -
Income taxes paid	\$ -

NONCASH OPERATING ACTIVITIES

Donated services	\$ 2,160
Donated goods	721,608
Donated facilities	96,274

TOTAL NONCASH OPERATING ACTIVITIES \$ 820,042

See accompanying notes to financial statements.

HCS FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. NATURE OF BUSINESS

HCS Family Services (the Organization) is an Illinois nonprofit organization providing emergency or interim assistance to individuals and serves the residents of Hinsdale, Clarendon Hills, Oak Brook, Willowbrook, Burr Ridge, Darien, Westmont, and surrounding unincorporated areas in Illinois. A summary of the Organization's program service is described below:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP). Net assets and revenues, expenses, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes herein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

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.

The Organization maintains its cash and cash equivalents at two financial institutions which, at times, may exceed federally insured limits. At June 30, 2019, the balance of deposits exceeded FDIC limits by \$122,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

HCS FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Supplies

Prepaid supplies consist of gift cards on hand at June 30, 2019.

Fixed Assets

Property and equipment are stated at cost. The Company has a capitalization threshold of \$1,000. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3-10
Vehicle	5
Leasehold improvements	Shorter of useful life or lease term

Depreciation and amortization expense is \$14,135.

Support and Revenue Recognition

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the 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. Conditional promises to give are not recognized until the conditions on which they depend are substantially met and are report as with donor restrictions.

In-Kind Donations

In-kind contributions of materials used in the Organization's programs are recorded as income and expense at the estimated fair value at the time of donation. In addition, in-kind contributions of property and equipment are recorded as income and increases of property and equipment at the estimated fair value at the time of donation. The Organization received donated goods valued at \$721,608, which is included as in-kind donations revenue and program services expenses in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services are recognized as 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 are not donated. The Organization receives a donated service from a variety of volunteers assisting the Organization in its charitable programs. The Organization received donated services for payroll preparation valued at \$2,160, which is included as in-kind donations revenue and program services expenses in the statement of activities.

Donated facilities are recognized as revenues at their estimated fair value when contributed to the Organization. The Organization received donated facilities valued at \$96,274, which is included as in-kind donations revenue and program services expenses in the statement of activities. The Organization expects to receive donated facilities valued at \$48,137, which is included as in-kind donations revenue on the statement of activities and in-kind rent receivable on the statement of financial position.

Income Taxes

The Organization qualifies for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code as other than a private foundation.

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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, including functional allocations during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses, accounting fees, supplies, depreciation and amortization, and occupancy, which are allocated on the basis of estimates of time and effort.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled *net assets without donor restrictions* and *net assets with donor restrictions*, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations or restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU for the year ended June 30, 2019.

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

HCS FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose or time restriction.

The Organization considers it appropriate that earnings from contributions with and without donor restrictions are for use in current programs which are ongoing, major, and central to its annual operations and are also available to meet cash needs for general expenditures. General expenditures include administrative support services expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization manages its cash available to meet general expenditures with the following guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

FINANCIAL ASSETS	
Cash and cash equivalents	\$ 367,284
Accounts receivable	500
	<hr/>
Total financial assets	367,784
Less net assets with restrictions	<hr/> (71,148)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL USE WITHIN ONE YEAR	<hr/> \$ 296,636

4. LINE OF CREDIT

The Organization has a \$50,000 line of credit with Evergreen Bank Group dated June 1, 2019, with interest at the prime rate plus 5% that matures on June 1, 2020. At June 30, 2019, the balance on the line of credit is \$0.

5. LEASE COMMITMENTS

The Organization leases a pantry under a 20-year noncancelable operating lease that commenced in February 2018. Yearly rent under this lease is \$1,000.

Total rent expense for the year ended June 30, 2019 is \$96,274.

HCS FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LEASE COMMITMENTS (Continued)

Future minimum rental payments under the terms of the lease are as follows:

Year Ending June 30,	Amount
2020	\$ 1,000
2021	1,000
2022	1,000
2023	1,000
2024	1,000
2025-2029	5,000
2030-2034	5,000
2035-2038	3,000
TOTAL	\$ 18,000

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted for the following as of June 30, 2019:

Purpose restriction	
Rent and utilities assistance	\$ 23,011
Timing restriction – July 1, 2019 – December 31, 2019	<u>48,137</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 71,148

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the year ended June 30, 2019:

Rent and utilities assistance	<u>\$ 1,989</u>
TOTAL RESTRICTIONS RELEASED	\$ 1,989

7. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, recognized subsequent events).

The Organization has evaluated subsequent events through January 20, 2020, which was the date that these financial statements were available for issuance and determined there were no significant subsequent events that require adjustment or disclosure in the financial statements through that date.