

**HCS FAMILY SERVICES**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**Years Ended June 30, 2022 and 2021**



**Wieland Wallace Inc**  
Certified Public Accountants

**HCS FAMILY SERVICES**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

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## **Independent Auditor's Report**

To the Board of Directors  
HCS Family Services

### ***Opinion***

We have audited the accompanying financial statements of HCS Family Services (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 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. 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 HCS Family Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HCS Family Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 HCS Family Services' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HCS Family Services' 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.

*Wieland Wallace Inc.*

Batavia, Illinois  
December 16, 2022

**HCS FAMILY SERVICES**  
**STATEMENTS OF FINANCIAL POSITION**

ASSETS

Year Ended June 30,

2022                      2021

CURRENT ASSETS

Cash	\$	<b>1,442,265</b>	\$	865,878
Unconditional promises to give				
Without donor restrictions		<b>3,779</b>		13,520
With donor restrictions		<b>38,396</b>		38,396
Food inventory		<b>57,800</b>		58,700
Prepaid expenses		<b>2,500</b>		4,599

TOTAL CURRENT ASSETS                      **1,544,740**                      981,093

FIXED ASSETS

Furniture and equipment		<b>129,292</b>		122,794
Vehicles		<b>55,778</b>		55,778
Leasehold improvements		<b>13,041</b>		6,631

Total		<b>198,111</b>		185,203
Less accumulated depreciation and amortization		<b>140,374</b>		124,001

NET FIXED ASSETS                      **57,737**                      61,202

TOTAL ASSETS \$ **1,602,477** \$ 1,042,295

LIABILITIES AND NET ASSETS

LIABILITIES

None	\$	-	\$	-
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NET ASSETS

Without donor restrictions		<b>1,564,081</b>		1,003,899
With donor restrictions		<b>38,396</b>		38,396

TOTAL NET ASSETS                      **1,602,477**                      1,042,295

TOTAL LIABILITIES AND NET ASSETS \$ **1,602,477** \$ 1,042,295

**HCS FAMILY SERVICES**  
**STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	2022 Totals	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<u>SUPPORT AND REVENUES</u>						
In-kind donations	\$ 1,085,658	\$ 13,396	\$ 1,099,054	\$ 1,102,012	\$ 13,396	\$ 1,115,408
Grants	71,395	25,000	96,395	180,945	25,000	205,945
Contributions	863,352	-	863,352	459,460	-	459,460
PPP loan forgiveness	-	-	-	43,368	-	43,368
Interest	3,713	-	3,713	2,486	-	2,486
Net assets released from restrictions	38,396	(38,396)	-	38,396	(38,396)	-
<u>TOTAL SUPPORT AND REVENUES</u>	<u>2,062,514</u>	<u>-</u>	<u>2,062,514</u>	<u>1,826,667</u>	<u>-</u>	<u>1,826,667</u>
<u>EXPENSES</u>						
Program services	1,402,065	-	1,402,065	1,444,428	-	1,444,428
Management and general	36,947	-	36,947	48,313	-	48,313
Fundraising	63,320	-	63,320	69,894	-	69,894
<u>TOTAL EXPENSES</u>	<u>1,502,332</u>	<u>-</u>	<u>1,502,332</u>	<u>1,562,635</u>	<u>-</u>	<u>1,562,635</u>
<u>INCREASE IN NET ASSETS</u>	<u>560,182</u>	<u>-</u>	<u>560,182</u>	<u>264,032</u>	<u>-</u>	<u>264,032</u>
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>1,003,899</u>	<u>38,396</u>	<u>1,042,295</u>	<u>739,867</u>	<u>38,396</u>	<u>778,263</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 1,564,081</u>	<u>\$ 38,396</u>	<u>\$ 1,602,477</u>	<u>\$ 1,003,899</u>	<u>\$ 38,396</u>	<u>\$ 1,042,295</u>

**HCS FAMILY SERVICES**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended June 30, 2022				Year Ended June 30, 2021			
	Program Services	Management and General	Fundraising	2022 Total	Program Services	Management and General	Fundraising	2021 Total
Accounting and auditing	\$ 13,583	\$ 1,199	\$ 1,198	\$ 15,980	\$ 13,859	\$ 1,223	\$ 1,223	\$ 16,305
Advertising	-	361	1,081	1,442	-	275	824	1,099
Direct client assistance	1,062,500	-	-	1,062,500	1,059,896	-	-	1,059,896
Bank fees	-	-	1,640	1,640	-	-	3,008	3,008
Consulting								
Information technology	-	-	-	-	7,745	683	684	9,112
Management	-	-	-	-	8,500	750	750	10,000
Contract services	2,709	542	361	3,612	27,942	5,588	3,726	37,256
Covid related expenses	-	-	-	-	-	8,211	-	8,211
Depreciation	14,163	1,105	1,105	16,373	16,404	1,282	1,282	18,968
Facilities and occupancy	88,850	3,863	3,863	96,576	89,006	3,870	3,870	96,746
Equipment repair and maintenance	4,723	524	-	5,247	7,597	844	-	8,441
Insurance	12,151	3,038	-	15,189	10,775	2,694	-	13,469
Memberships and subscriptions	206	23	-	229	355	39	-	394
Miscellaneous	4,274	4,273	-	8,547	487	486	-	973
Personnel								
Salaries and wages	152,564	16,952	42,378	211,894	150,768	16,752	41,880	209,400
Payroll fees	2,588	288	719	3,595	1,364	152	379	1,895
Taxes and benefits	21,123	2,347	5,868	29,338	22,702	2,522	6,307	31,531
Postage	-	78	156	234	-	166	332	498
Printing and copying	7,418	824	2,061	10,303	4,376	486	1,216	6,078
Supplies	7,044	622	621	8,287	9,913	875	874	11,662
Telephone and internet	8,169	908	2,269	11,346	12,739	1,415	3,539	17,693
<b>TOTAL EXPENSES</b>	<b>\$ 1,402,065</b>	<b>\$ 36,947</b>	<b>\$ 63,320</b>	<b>\$ 1,502,332</b>	<b>\$ 1,444,428</b>	<b>\$ 48,313</b>	<b>\$ 69,894</b>	<b>\$ 1,562,635</b>



**HCS FAMILY SERVICES**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Increase in net assets	\$ 560,182	\$ 264,032
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	16,373	18,968
PPP loan forgiveness	-	(43,368)
Changes in operating assets and liabilities:		
Unconditional promises to give	9,741	(36,020)
Food inventory	900	(16,900)
Prepaid expenses	2,099	(2,500)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b>589,295</b>	<b>184,212</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Payments for the purchase of fixed assets	(12,908)	(49,186)
<b><u>NET CASH USED BY INVESTING ACTIVITIES</u></b>	<b>(12,908)</b>	<b>(49,186)</b>
<b><u>NET INCREASE IN CASH</u></b>	<b>576,387</b>	<b>135,026</b>
<b><u>CASH AT BEGINNING OF YEAR</u></b>	<b>865,878</b>	<b>730,852</b>
<b><u>CASH AT END OF YEAR</u></b>	<b>\$ 1,442,265</b>	<b>\$ 865,878</b>
<b><u>NONCASH OPERATING ACTIVITIES</u></b>		
Donated goods	\$ 1,002,778	\$ 1,019,134
Donated facilities	96,276	96,274
<b><u>TOTAL NONCASH OPERATING ACTIVITIES</u></b>	<b>\$ 1,099,054</b>	<b>\$ 1,115,408</b>

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**HCS FAMILY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

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**NOTE 1 - NATURE OF ACTIVITIES**

HCS Family Services (the Organization) is an Illinois nonprofit organization providing emergency or interim assistance to individuals and families. It serves residents of Hinsdale, Clarendon Hills, Oak Brook, Willowbrook, Burr Ridge, Darien, Westmont and surrounding unincorporated areas in Illinois. The Organization's primary program is operating a Food Pantry that provides nutritious foods and household items based on individual preferences and needs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**PROMISES TO GIVE AND REVENUE RECOGNITION**

Grants, gifts and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Support from grants and other agreements that in substance constitute exchanges for services from the Organization is recognized at a point in time when earned.

Amounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible promises using the allowance method. However, no allowance was determined to be warranted at June 30, 2022 and 2021 as all promises to give are expected to be realized.

**IN-KIND CONTRIBUTIONS OF GOODS AND SERVICES**

Contributions of food and other noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with auditing standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**MANAGEMENT REVIEW**

Management has evaluated subsequent events to the date on which the financial statements were available to be issued, which is the date of the Independent Auditor's Report.

## **HCS FAMILY SERVICES**

Notes to Financial Statements (Continued)

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### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2022 and 2021, there were no cash equivalents. The Organization maintains its cash and cash equivalents in two financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

### FOOD INVENTORY

Food inventory on hand is valued at cost or its estimated fair value at the time of donation.

### PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Purchased property and equipment are recorded at acquisition cost. 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 expense for the years ended June 30, 2022 and 2021 totaled \$16,373 and \$18,968.

### COST ALLOCATION

The costs of providing the Organization's programs and supporting services are summarized on a functional basis in the statements of activities and functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on an estimated space usage basis. Other costs are allocated on best estimates of usage.

### INCOME TAXES

The Organization applied for and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Accordingly, income taxes are not provided for in the financial statements.

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of June 30, 2022, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

## HCS FAMILY SERVICES

Notes to Financial Statements (Continued)

### NOTE 3 - IN-KIND DONATIONS

#### Food

During the years ended June 30, 2022 and 2021, respectively, the Organization collected and distributed over 522,000 and 569,000 pounds of food to individuals and families it serves. For financial reporting purposes, food donations were valued at an estimated fair value per pound of \$1.92 and \$1.79 during the years ended June 30, 2022 and 2021, respectively, in accordance with data provided by Northern Illinois Food Bank. The total donations reported were \$1,002,778 and \$1,019,134 during the years ended June 30, 2022 and 2021, respectively.

#### Facilities

The Organization operates in two facilities. The Village of Hinsdale provides a 2,500 square foot facility at no charge which is valued at \$69,481 for financial reporting purposes. Anne M. Jeans Elementary School provides 1,000 square feet of space valued at \$27,793 annually for which the Organization is charged \$1,000 (see Note 6). The total value of donated facilities for the years ended June 30, 2022 and 2021 is \$96,276 and \$96,274, respectively. This amount is recorded as an in-kind contribution and corresponding occupancy expense.

#### Volunteers

The Organization is able to operate through the countless hours provided by numerous unpaid volunteers. No amounts have been recognized in the financial statements for the value of such volunteer efforts because the criteria for recognition under accounting principles generally accepted in the United States of America have not been met.

### NOTE 4 - PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Promises without donor restrictions	\$ 3,779	\$ 13,520
Time restriction – in-kind facilities for next operating period	13,396	13,396
Anne M. Jeans Elementary School Pantry – Strategic Outreach Initiative Program	<u>25,000</u>	<u>25,000</u>
	<u>\$ 42,175</u>	<u>\$ 51,916</u>

### NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose as of June 30:

	<u>2022</u>	<u>2021</u>
Time restriction – in-kind facilities for next operating period	\$ 13,396	\$ 13,396
Anne M. Jeans Elementary School Pantry – Strategic Outreach Initiative Program	<u>25,000</u>	<u>25,000</u>
	<u>\$ 38,396</u>	<u>\$ 38,396</u>

## HCS FAMILY SERVICES

Notes to Financial Statements (Continued)

### NOTE 6 - COMMITMENTS

The Organization leases a pantry under a 20-year operating lease that commenced in February 2018. Yearly rent under this lease is \$1,000. The lease can be terminated by either party with six months' prior written notice. Future minimum rental payments under the lease are as follows at June 30, 2022:

Year Ending June 30:		
2023	\$	1,000
2024		1,000
2025-2029		5,000
2030-2034		5,000
2035-2038		3,000
		<hr/>
Total	\$	15,000

### NOTE 7 - LINE OF CREDIT

The Organization presently has a line of credit with Hinsdale Bank which permits maximum borrowings of \$350,000. The Organizations had no outstanding line of credit balances at June 30, 2022 and 2021.

### NOTE 8 - SMALL BUSINESS ADMINISTRATION ECONOMIC DISASTER LOANS

During the fiscal year ended June 30, 2020, the Organization received \$43,368 through the Payroll Protection Program ("PPP loan") sponsored by the United States and administered by the Small Business Administration (the "SBA"). The loan was fully forgiven during the year ended June 30, 2021.

### NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization keeps six months of monthly operating available at all times.

Financial assets at year-end available to meet cash needs for general expenditure within one year are comprised of the following at June 30:

	<u>2022</u>		<u>2021</u>
Cash	\$ 1,442,265	\$	865,878
Unconditional promises to give	42,175		51,916
			<hr/>
Total financial assets	1,484,440		917,794
Less those unavailable for general expenditures within in one year, due to:			
Donor time restrictions for use of facilities	(13,396)		(13,396)
Donor restricted for program or asset purchase expenditures	(25,000)		(25,000)
			<hr/>
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,446,044	\$	879,398