CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Children's Home and Aid Society of Illinois and Affiliate
dba: Brightpoint and Affiliate
Chicago, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Children's Home and Aid Society of Illinois and Affiliate dba: Brightpoint and Affiliate (the Agency), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Home and Aid Society of Illinois and Affiliate dba: Brightpoint and Affiliate as of June 30, 2023 and 2022, and the changes in their net assets and their 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Agency 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 GAAS 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 consolidated 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 the Agency'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 the Agency'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.

Board of Trustees
Children's Home and Aid Society of Illinois and Affiliate
dba: Brightpoint and Affiliate

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and consolidating schedules of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 January 9, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 9, 2024

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 3,497,711	$ 4,811,245
Accounts Receivable, Net of Allowance for Doubtful Accounts of $183,536 and $159,142 in 2023 and 2022, Respectively	15,907,016	11,286,232
Pledges Receivable	694,243	1,008,668
Prepaid Expenses and Other Assets	648,638	615,697
Endowment Investments	32,078,552	30,648,135
Beneficial Interest in Trusts	5,254,794	4,991,872
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	20,248,168	21,067,421
Operating Lease Right-of-Use Assets	10,626,473	11,282,254
Total Assets	$ 88,955,595	$ 85,711,524
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 3,011,454	$ 2,861,598
Accrued Salaries and Benefits	5,776,930	5,214,737
Deferred Revenue	4,988,919	3,799,851
Paycheck Protection Program Loan	-	925,000
Long-Term Debt	625,000	959,769
Operating Lease Liability	11,734,044	12,386,013
Total Liabilities	26,136,347	26,146,968
NET ASSETS		
Without Donor Restrictions	48,375,206	45,859,685
With Donor Restrictions	14,444,042	13,704,871
Total Net Assets	62,819,248	59,564,556
Total Liabilities and Net Assets	$ 88,955,595	$ 85,711,524

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 2,121,346	$ 1,399,500	$ 3,520,846
Foundations and Trusts	1,328,229	-	1,328,229
Contributions from Associated Fundraising Organizations	457,482	-	457,482
Fees and Grants from Governmental Agencies for Services Rendered to Clients	68,560,619	-	68,560,619
Program Service Fees	3,944,851	-	3,944,851
Contributed Goods and Services	334,195	-	334,195
Net Assets Released from Restrictions	1,532,151	(1,532,151)	-
Miscellaneous	1,873,116	-	1,873,116
Total Revenues and Other Support	80,151,989	(132,651)	80,019,338
EXPENSES			
Total Program Services	66,632,677	-	66,632,677
Supporting Services:			
Management and General	11,099,263	-	11,099,263
Fundraising	2,056,113	-	2,056,113
Total Expenses	79,788,053	-	79,788,053
INCOME (LOSS) FROM OPERATIONS	363,936	(132,651)	231,285
OTHER CHANGES			
Investment Income, Net	443,027	158,739	601,766
Net Realized and Unrealized Gains on Investments	1,708,558	713,083	2,421,641
Total Other Changes	2,151,585	871,822	3,023,407
CHANGE IN NET ASSETS	2,515,521	739,171	3,254,692
Net Assets - Beginning of Year	45,859,685	13,704,871	59,564,556
NET ASSETS - END OF YEAR	$ 48,375,206	$ 14,444,042	$ 62,819,248

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 2,947,920	$ 1,869,015	$ 4,816,935
Foundations and Trusts	1,317,156	-	1,317,156
Contributions from Associated Fundraising Organizations	476,984	-	476,984
Fees and Grants from Governmental Agencies for Services Rendered to Clients	66,843,513	-	66,843,513
Program Service Fees	3,443,488	-	3,443,488
Contributed Goods and Services	247,649	-	247,649
Net Assets Released from Restrictions	2,181,551	(2,181,551)	-
Miscellaneous	584,066	-	584,066
Total Revenues and Other Support	78,042,327	(312,536)	77,729,791
EXPENSES			
Total Program Services	65,905,094	-	65,905,094
Supporting Services:			
Management and General	9,723,779	-	9,723,779
Fundraising	1,977,883	-	1,977,883
Total Expenses	77,606,756	-	77,606,756
INCOME (LOSS) FROM OPERATIONS	435,571	(312,536)	123,035
OTHER CHANGES			
Investment Income, Net	431,798	122,806	554,604
Net Realized and Unrealized Losses on Investments	(4,091,994)	(2,288,941)	(6,380,935)
Total Other Changes	(3,660,196)	(2,166,135)	(5,826,331)
CHANGE IN NET ASSETS	(3,224,625)	(2,478,671)	(5,703,296)
Net Assets - Beginning of Year	49,084,310	16,183,542	65,267,852
NET ASSETS - END OF YEAR	$ 45,859,685	$ 13,704,871	$ 59,564,556

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services					
	Counseling	Child Care	Child Care Resource and Referral	Foster Care	Intact Family Services	Parental Support
Salaries	$ 5,760,419	$ 6,926,570	$ 4,211,080	$ 8,979,821	$ 4,821,360	$ 2,643,460
Employee Health and Retirement Benefits	1,016,955	1,201,393	761,461	1,610,426	849,233	472,386
Payroll Taxes	417,139	498,906	305,312	650,555	348,145	191,990
Total Salaries and Related Expenses	7,194,513	8,626,869	5,277,853	11,240,802	6,018,738	3,307,836
Professional Fees	25,359	659,637	572,089	480,705	345,712	219,604
Supplies	133,329	827,960	176,669	185,302	79,667	120,730
Telephone	96,921	119,589	80,823	212,024	91,643	41,928
Postage and Shipping	2,232	906	27,316	8,997	2,493	846
Occupancy	290,709	713,738	323,221	806,660	280,901	111,536
Outside Printing	138	3,686	49,875	2,109	555	158
Local Transportation	154,406	87,153	79,289	623,873	420,100	91,789
Conferences and Meetings	79,219	22,057	28,181	36,012	37,527	47,637
Subscriptions and Reference	209	11,310	6,473	30	89	4,981
Specific Assistance	197,281	24,172	49,629	6,482,708	143,260	108,788
Membership Dues	809	9,716	2,251	572	294	18,160
Repairs, Maintenance, and Rental	12,278	39,450	29,463	30,053	10,673	5,686
Miscellaneous	145,598	218,337	126,868	143,051	82,654	58,430
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	8,333,001	11,364,580	6,830,000	20,252,898	7,514,306	4,138,109
Depreciation and Amortization	68,804	616,716	30,910	218,567	35,780	30,901
Interest and Financing Fees	-	-	-	-	-	-
Total Functional Expenses	$ 8,401,805	$ 11,981,296	$ 6,860,910	$ 20,471,465	$ 7,550,086	$ 4,169,010

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Program Services (Continued)			Supporting Services			
	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 4,369,844	$ 207,303	$ 37,919,857	$ 5,487,006	$ 1,084,333	$ 6,571,339	$ 44,491,196
Employee Health and Retirement Benefits	762,964	40,127	6,714,945	1,027,778	200,643	1,228,421	7,943,366
Payroll Taxes	309,278	14,829	2,736,154	375,777	79,606	455,383	3,191,537
Total Salaries and Related Expenses	5,442,086	262,259	47,370,956	6,890,561	1,364,582	8,255,143	55,626,099
Professional Fees	218,945	90	2,522,141	2,492,904	221,996	2,714,900	5,237,041
Supplies	127,564	957	1,652,178	279,656	11,848	291,504	1,943,682
Telephone	92,886	1,193	737,007	86,746	537	87,283	824,290
Postage and Shipping	3,503	139	46,432	9,564	10,934	20,498	66,930
Occupancy	253,584	7,712	2,788,061	415,036	4,942	419,978	3,208,039
Outside Printing	1,646	-	58,167	2,955	48,598	51,553	109,720
Local Transportation	183,975	256	1,640,841	62,137	5,850	67,987	1,708,828
Conferences and Meetings	59,341	550	310,524	41,001	9,543	50,544	361,068
Subscriptions and Reference	4,278	-	27,370	30,432	17,310	47,742	75,112
Specific Assistance	234,565	-	7,240,403	4,909	49,762	54,671	7,295,074
Membership Dues	4,902	55	36,759	87,173	738	87,911	124,670
Repairs, Maintenance, and Rental	12,400	361	140,364	22,202	1,869	24,071	164,435
Miscellaneous	124,992	83,545	983,475	465,016	306,585	771,601	1,755,076
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	6,764,667	357,117	65,554,678	10,890,292	2,055,094	12,945,386	78,500,064
Depreciation and Amortization	46,157	30,164	1,077,999	168,464	1,019	169,483	1,247,482
Interest and Financing Fees	-	-	-	40,507	-	40,507	40,507
Total Functional Expenses	$ 6,810,824	$ 387,281	$ 66,632,677	$ 11,099,263	$ 2,056,113	$ 13,155,376	$ 79,788,053

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services					
	Counseling	Child Care	Child Care Resource and Referral	Foster Care	Intact Family Services	Parental Support
Salaries	$ 4,355,569	$ 6,967,827	$ 3,872,730	$ 8,100,210	$ 3,825,241	$ 2,332,946
Employee Health and Retirement Benefits	843,751	1,380,801	766,230	1,563,003	723,220	455,960
Payroll Taxes	313,596	504,555	278,417	590,867	276,678	167,918
Total Salaries and Related Expenses	5,512,916	8,853,183	4,917,377	10,254,080	4,825,139	2,956,824
Professional Fees	34,468	469,858	396,613	569,496	292,627	165,751
Supplies	68,308	783,047	176,023	117,940	104,202	116,740
Telephone	102,936	130,024	84,931	198,603	93,057	45,725
Postage and Shipping	1,924	1,801	27,777	7,096	3,668	1,139
Occupancy	316,335	556,016	405,042	807,547	286,179	122,672
Outside Printing	989	5,683	46,450	2,527	1,069	2,177
Local Transportation	99,212	90,046	45,963	464,527	292,879	53,552
Conferences and Meetings	46,203	33,316	46,999	7,883	9,148	88,155
Subscriptions and Reference	90	37,034	14,859	10	42	7,004
Specific Assistance Including COVID-19 Assistance Expenditures	155,450	21,304	48,874	6,516,538	532,711	115,762
Membership Dues	329	5,242	1,282	1,008	407	9,869
Repairs, Maintenance, and Rental	7,526	82,490	11,450	65,524	77,216	4,524
Miscellaneous	73,149	197,380	69,159	131,942	75,297	40,447
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	6,419,835	11,266,424	6,292,799	19,144,721	6,593,641	3,730,341
Depreciation and Amortization	43,725	664,194	28,196	119,665	40,116	41,690
Interest and Financing Fees	-	-	-	1,145	1,718	-
Total Functional Expenses	$ 6,463,560	$ 11,930,618	$ 6,320,995	$ 19,265,531	$ 6,635,475	$ 3,772,031

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Program Services (Continued)				Supporting Services			
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 3,517,504	$ 3,305,336	$ 213,709	$ 36,491,072	$ 4,962,942	$ 1,062,733	$ 6,025,675	$ 42,516,747
Employee Health and Retirement Benefits	571,349	606,613	47,541	6,958,468	914,037	217,122	1,131,159	8,089,627
Payroll Taxes	258,262	233,850	16,534	2,640,677	308,043	75,729	383,772	3,024,449
Total Salaries and Related Expenses	4,347,115	4,145,799	277,784	46,090,217	6,185,022	1,355,584	7,540,606	53,630,823
Professional Fees	418,223	136,044	62	2,483,142	1,950,536	94,540	2,045,076	4,528,218
Supplies	310,985	94,082	-	1,771,327	246,814	3,765	250,579	2,021,906
Telephone	54,975	100,074	1,367	811,692	88,117	854	88,971	900,663
Postage and Shipping	243	4,013	29	47,690	12,275	7,116	19,391	67,081
Occupancy	304,776	239,961	3,801	3,042,329	673,002	4,867	677,869	3,720,198
Outside Printing	30	2,260	17	61,202	14,004	42,939	56,943	118,145
Local Transportation	27,934	95,793	49	1,169,955	31,713	3,032	34,745	1,204,700
Conferences and Meetings	1,764	26,588	-	260,056	30,115	4,812	34,927	294,983
Subscriptions and Reference	-	4,176	-	63,215	58,413	31,097	89,510	152,725
Specific Assistance Including COVID-19 Assistance Expenditures	61,305	182,418	-	7,634,362	39	72,402	72,441	7,706,803
Membership Dues	55	3,677	-	21,869	73,407	745	74,152	96,021
Repairs, Maintenance, and Rental	83,367	6,164	89	338,350	4,308	30	4,338	342,688
Miscellaneous	195,050	59,339	79,781	921,544	281,245	355,087	636,332	1,557,876
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	5,805,822	5,100,388	362,979	64,716,950	9,649,010	1,976,870	11,625,880	76,342,830
Depreciation and Amortization	163,606	49,532	34,557	1,185,281	11,239	1,013	12,252	1,197,533
Interest and Financing Fees	-	-	-	2,863	63,530	-	63,530	66,393
Total Functional Expenses	$ 5,969,428	$ 5,149,920	$ 397,536	$ 65,905,094	$ 9,723,779	$ 1,977,883	$ 11,701,662	$ 77,606,756

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,254,692	$ (5,703,296)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	1,247,482	1,197,533
Provision for Bad Debts	200,000	261,516
Forgiveness of Paycheck Protection Program Loan	(925,000)	-
Noncash Lease Expense	3,812	50,860
Net Realized and Unrealized (Gains) Losses on Net Assets with Donor Restrictions	(713,083)	2,288,941
Net Realized and Unrealized (Gains) Losses on Assets Whose Use is Limited or Restricted, Excluding Investments of Net Assets with Donor Restrictions	(1,708,558)	4,091,994
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(4,820,784)	(2,364,965)
Pledges Receivable	314,425	(309,425)
Prepaid Expenses and Other Assets	(32,941)	279,217
Accounts Payable and Accrued Expenses	149,856	508,172
Accrued Salaries and Benefits	562,193	(280,953)
Other Liabilities	1,189,068	(667,427)
Net Cash Used by Operating Activities	(1,278,838)	(647,833)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Buildings, Equipment, and Leasehold Improvements	(428,229)	(609,148)
Purchases of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	(870,856)	(984,566)
Sales and Maturities of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	1,599,158	2,366,830
Net Cash Provided by Investing Activities	300,073	773,116
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(334,769)	(1,006,309)
Payments on Capital Lease Obligation	-	(43,027)
Net Cash Used by Financing Activities	(334,769)	(1,049,336)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,313,534)	(924,053)
Cash and Cash Equivalents - Beginning of Year	4,811,245	5,735,298
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,497,711	$ 4,811,245
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 40,507	$ 66,393
Leasehold Improvements Paid for by the Agency's Landlord at their Expense	$ -	$ 1,403,108

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Children's Home and Aid Society of Illinois dba: Brightpoint (the Society), an Illinois nonprofit corporation, is a social service organization serving families throughout the state of Illinois. The Society provides adoption, foster care, residential care (until June 30, 2022), childcare, and child and family counseling and related services. Children's Home and Aid Society Foundation (the Foundation), an Illinois nonprofit corporation of which the Society is the sole corporate member, oversees investments of the Society.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and its wholly owned and controlled affiliate (the Agency). All significant transactions among these corporations have been eliminated in consolidation.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The liability for excess revenues is based on management's assessment of the estimated amounts due to funding sources for program revenues in excess of program expenses. If actual excess revenues are higher than the historical experience, management's estimates of the amounts due from the Agency could be adversely affected. A liability of $2,793,776 and $2,790,895 as of June 30, 2023 and 2022, respectively, has been included with deferred revenue on the consolidated statements of financial position. The funding source has indicated its intent to mitigate the excess revenue by allowing certain unallowed expenses and program deficits in other programs funded by this source. The Agency will reduce the liability recorded once resolution with the funding source is known.

Consolidated Financial Statement Presentation

The Agency prepares its consolidated financial statements in accordance with U.S. GAAP. Under U.S. GAAP, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Agency is required to present a consolidated statement of cash flows.

Net asset classes are defined as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of trustees (board) has discretionary control.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting.

Revenues and Other Support

Revenue transactions deemed by management to be ongoing, major, or central to the provision of social services are included in revenues and other support on the consolidated statements of activities and changes in net assets. Transactions incidental to the provision of social services are reported as nonoperating gains and losses.

Contributions

The Agency receives contributions through pledges, bequests, beneficial interests in trusts, outright gifts of cash and property, and certain frees and grants from governmental agencies. Contributions are classified as with or without donor restrictions based on donor direction.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, the related net assets are reclassified to net assets without donor restrictions.

Contributions received with donor conditions are deferred until such conditions are met. Included in deferred revenue on the consolidated statements of financial position at June 30, 2023 and 2022, conditional contributions received in advance total $2,195,143 and $1,008,956, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Other Support (Continued)

Fees and Grants from Governmental Agencies for Services Rendered to Clients and Program Service Fees

The Agency receives a significant portion of its operating funds from grants and awards that are exchange transactions. These funds are reported as without donor restrictions as the grants reimburse the Agency for services provided. Government grants received in advance are recorded initially as deferred revenue and are then recognized as revenue as earned, which generally occurs when services are provided and expenses are incurred. Program service fees consist primarily of revenue received from the state of Illinois which is paid based on a contracted rate per day. Government and program service fees are recognized as earned over time once performance obligations are met for the social services provided.

Investment Income

Investment income and realized and unrealized gains and losses resulting from contributions are reported as changes in net assets with or without donor restrictions, as directed by the donor.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and the consolidated statements of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function (common expenses). These common expenses require allocation to program and support units on a reasonable basis that is consistently applied. They include occupancy costs and some maintenance, supplies, and telephone costs which are allocated based on either square footage of area occupied or on personnel at the location assigned to work in specific programs.

Cash Equivalents

The Agency considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. However, all cash and investments whose use is limited by the board or restricted by donors are considered long-term investments.

At times, the amounts in these accounts may exceed federally insured limits. However, the Agency has not experienced any losses on these accounts and does not believe it is exposed to significant risk.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Agency accounts for investments in accordance with U.S. GAAP, which requires investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value. Investment income (comprised of interest and dividends) is included in revenues and other support. Realized and unrealized gains and losses on investments are reported in the consolidated statements of activities and changes in net assets as nonoperating gains and losses and as an increase or decrease in net assets with or without donor restriction based upon donor-imposed restrictions.

Accounts Receivable

Accounts receivable are primarily uncollateralized governmental obligations stated at the invoice amounts that generally are payable within 30 days from the billing date.

Payments of accounts receivable are applied to the specific invoices identified on the funding source's remittance advice or, if unspecified, to the earliest unpaid invoices.

Accounts receivable is reduced by a valuation allowance that reflects management's best assessment of the collectability of specific funding source accounts based on specific information, the aging of specific accounts, and historical experience. If actual amounts collected are lower than management's estimates thereof, the Agency's financial results could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The balance in accounts receivable at the beginning of 2022 was $9,182,783.

Pledges Receivable

Unconditional pledges to give cash and property are reported at fair value at the date the pledge is received.

Any amounts that are known to be uncollectible are written off and thus, a provision has not been made for potentially uncollectible amounts as of June 30, 2023 and 2022, based on management's assessment of the specific promises to give and the aging thereof.

Land, Buildings, Equipment, and Leasehold Improvements

Land, buildings, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. The Agency's capitalization threshold is $5,000. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	5 to 39 Years
Office Furniture and Equipment	5 to 15 Years
Automobiles	5 Years
Leasehold Improvements	2 to 10 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Agency evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Agency evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Beneficial Interest in Trusts

Beneficial interest in trusts represents the fair value of the portion of trusts for which the Agency is beneficiary in perpetuity and represents a perpetual donor restriction. The trusts, which are all administered by bank trustees, are comprised primarily of farm land and equity or fixed-income securities. Fair value of equity and fixed-income securities is based primarily on quoted market prices. Fair value for farm land is based on periodic independent appraisals. Realized and unrealized gains and losses on the beneficial interest in trusts are recorded to net assets with donor restrictions in the consolidated statements of activities and changes in net assets.

Leases

The Agency leases office and program service space. The Agency determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the consolidated statements of financial position.

ROU assets represent the Agency’s right to use an underlying asset for the lease term and lease liabilities represent the Agency’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Agency uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Agency has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Agency has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Agency's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Agency considers factors such as if the Agency has obtained substantially all of the rights to the underlying asset through exclusivity, if the Agency can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In allocating consideration in the contract to the separate lease components and the nonlease components, the Agency uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Agency has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Income Taxes

All entities included in the Agency are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code. The entities qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1).

The Agency evaluates its exposure for uncertain tax positions on an annual basis. As of June 30, 2023 and 2022, there were no liabilities for uncertain tax positions.

Liquidity

The Agency's financial assets available for general expenditures within one year of the statement of financial position date are as follows:

	2023	2022
Cash and Cash Equivalents	$ 3,497,711	$ 4,811,245
Accounts and Pledges Receivable Due in One Year	16,601,259	12,294,900
Restricted Assets Expected to be Released	(2,954,208)	(2,813,059)
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 17,144,762	$ 14,293,086

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

To help manage seasonal liquidity needs, the Agency maintains a credit facility in the amount of $5 million.

Additionally, the Foundation maintains a board-designated endowment fund of approximately $26 million and $25 million at June 30, 2023 and 2022, respectively. Although the Foundation does not intend to spend from its endowment fund other than amounts appropriated to support programs and general operations of the Society, amounts from the board-designated endowment fund could be made available if necessary.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist of pledges that are expected to be collected during the following fiscal years:

Year Ending June 30,	Amount
2024	$ 740,000
Less: Discount to Net Present Value	(45,757)
Total	$ 694,243

The discount rate used for the years ended June 30, 2023 and 2022 was 3%.

NOTE 3 INVESTMENTS

A summary of the composition of the Agency's investments follows:

	2023	2022
Fixed Income Mutual Funds	$ 6,009,783	$ 5,988,758
Equity Mutual Funds	20,542,229	19,312,520
Nonpublic Pooled Investments	5,487,446	5,330,933
Cash Equivalents and Money Market Funds	39,094	15,924
Beneficial Interest in Trusts	5,254,794	4,991,872
Total	$ 37,333,346	$ 35,640,007

NOTE 3 INVESTMENTS (CONTINUED)

The nonpublic pooled investments consist of private equity funds that invest primarily in diversified leveraged buyouts, venture capital companies, and other investment funds. Included in nonpublic pooled investments is the Portfolio Advisors Private Equity Fund IV, L.P., the SEG Partners Offshore, Ltd., the MW Eureka Fund, and the Cyrus Opportunities Fund II Ltd. These funds are nonpublic, pooled investments that are not registered as investment companies with the U.S. Securities and Exchange Commission. They are considered speculative with a higher degree of risk and potential volatile performance than the Agency's other investments. The estimated market value of these funds is determined by the funds' custodians based on the net asset value of the Agency's ownership interest, as quoted market prices are not available. The Agency's investment in nonpublic pooled investments and their estimated fair market value at June 30 is as follows:

	Estimated Fair Market Value	
	2023	2022
Portfolio Advisors Private Equity Fund IV, L.P.	$ 79,694	$ 102,601
SEG Partners Offshore, Ltd.	1,893,381	1,831,854
MW Eureka Fund	1,694,619	1,636,850
Cyrus Opportunities Fund II Ltd.	1,819,752	1,759,628

On December 1, 2010, the Agency invested $1,000,000 in Cyrus Opportunities Fund II Ltd. One of the principals of this fund is related to a trustee of the Agency and personally guaranteed recovery of the Agency's initial investment in the fund and all fees to the fund have been waived. The guarantee on the fund is in effect through December 2025.

Currently, the Agency is not eligible to redeem the investment in the Portfolio Advisors Private Equity Fund IV, L.P. until the later of the termination of the partnership or one year after all the assets of the partnership have been liquidated and the Agency has invested $1,142,259 of a total commitment of $1,400,000. As of June 30, 2023, the partnership has not liquidated all assets. The Agency has no other unfunded commitments for further investment in the SEG Partners Offshore, Ltd., the MW Eureka Fund, and the Cyrus Opportunities Fund II Ltd. as of June 30, 2023. There are no additional redemption restrictions on these investments as well. These investments can be liquidated with no notice period and on a daily basis.

Investment fees incurred were $88,159 and $54,027 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4 FAIR VALUE MEASUREMENTS

In determining fair value, the Agency uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets and liabilities measured on a recurring basis at June 30 are as follows:

	2023			
	Total	Level 1	Level 2	Level 3
Equities:				
U.S. Mutual Funds	$ 10,605,623	$ 10,605,623	$ -	$ -
International Mutual Funds	9,936,606	9,936,606	-	-
Fixed Income:				
Mutual Funds	6,009,783	6,009,783	-	-
Beneficial Interest in Trusts	5,254,794	-	-	5,254,794
Total Assets at Fair Value	31,806,806	$ 26,552,012	$ -	$ 5,254,794
Cash and Cash Equivalents	39,094			
Nonpublic Pooled Investments	5,487,446			
Total Assets	$ 37,333,346			

	2022			
	Total	Level 1	Level 2	Level 3
Equities:				
U.S. Mutual Funds	$ 10,288,840	$ 10,288,840	$ -	$ -
International Mutual Funds	9,023,680	9,023,680	-	-
Fixed Income:				
Mutual Funds	5,988,758	5,988,758	-	-
Beneficial Interest in Trusts	4,991,872	-	-	4,991,872
Total Assets at Fair Value	30,293,150	$ 25,301,278	$ -	$ 4,991,872
Cash and Cash Equivalents	15,924			
Nonpublic Pooled Investments	5,330,933			
Total Assets	$ 35,640,007			

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for Level 1 equities and mutual funds are determined by reference to quoted market transactions. Fair value of Level 3 beneficial interest in trusts is determined by reference to quoted market transactions for assets similar to those held to support the underlying assets.

Gains and losses (realized and unrealized) on the investments valued using significant unobservable inputs are included in net realized and unrealized gains on investments in the accompanying consolidated statements of activities and changes in net assets. There were unrealized gains (losses) of $162,599 and $(785) relating to these investments for the years ended June 30, 2023 and 2022, respectively.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the years ended June 30:

Investments:	
Balance - June 30, 2021	$ 6,089,908
Change in Beneficial Interest in Trusts	(1,098,036)
Balance - June 30, 2022	4,991,872
Change in Beneficial Interest in Trusts	262,922
Balance - June 30, 2023	$ 5,254,794

The value of Beneficial Interests in Trusts represents an irrevocable right to receive distributions in perpetuity from a trust that is managed by a third party. The Agency does not have variance power over the trusts' portfolio. The value of Beneficial Interests in Trusts is estimated based on the fair value of the underlying investments held by the trusts and the unobservable input was the time period of the various trusts.

NOTE 5 LAND, BUILDINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

A summary of land, buildings, equipment, and leasehold improvements is as follows as of June 30:

	2023	2022
Land	$ 2,126,786	$ 2,126,786
Buildings and Improvements	33,839,621	33,587,756
Office Furniture and Equipment	6,704,351	6,363,847
Automobiles	107,573	107,573
Leasehold Improvements	2,354,902	2,105,579
Construction in Progress	57,248	470,712
Total at Cost	45,190,481	44,762,253
Less: Allowance for Depreciation and Amortization	24,942,313	23,694,832
Total Land, Buildings, Equipment, and Leasehold Improvements	$ 20,248,168	$ 21,067,421

NOTE 6 RETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

Employee Retirement Plan

The Agency sponsors a qualified 401(k) plan (plan). Effective upon hire, employees are automatically enrolled in the plan at a 2% pre-tax deferral rate that increases by 1% each year unless the employee opts out. Upon board approval, the Agency makes a discretionary contribution reflecting 50% of the employees' contribution, up to a maximum of 3% of the employees' earnings. To be eligible for the discretionary contribution, an employee must have contributed to the plan, been employed for at least 12 months, and worked at least 975 hours during the fiscal year. The Agency recognized benefit expense related to the plan of $670,695 and $553,136 in 2023 and 2022, respectively.

Self-Funded Medical Plan

The Agency self-funds the claims cost of its medical plan covering those employees who elect coverage and their dependents. Under the terms of the coverage, the Agency's estimated annual claim costs are $6.1 million and $5.7 million subject to an annually specified maximum amount estimated at $7.6 million and $7.1 million, as of June 30, 2023 and 2022, respectively. The Agency has recorded a liability of approximately $760,000 and $604,000 as of June 30, 2023 and 2022, respectively, on the consolidated statements of financial position that represents management's estimate of reported and unreported medical claims incurred prior to that date. The Agency also maintains a cash reserve of approximately $718,000 and $713,000 as of June 30, 2023 and 2022, respectively, to cover both the liability noted above and potential cash needs of this plan.

NOTE 7 REVENUE, CONTRACT ASSETS, AND CONTRACT LIABILITIES

The following table shows the Agency's revenues disaggregated according to the timing of the transfer of goods and services:

	2023	2022
Revenue Recognized Over Time:		
Fees and Grants from Governmental Agencies for Services Rendered to Clients	$ 32,720,357	$ 36,186,173
Program Service Fees	3,944,851	3,443,488
Miscellaneous	1,873,116	584,066
Total	38,538,324	40,213,727
Revenue Subject to Grants and Contributions Guidance:		
Contributions	3,855,041	5,064,584
Foundations and Trusts	1,328,229	1,317,156
Contributions from Associated Fundraising Organizations	457,482	476,984
Fees and Grants from Governmental Agencies for Services Rendered to Clients	35,840,262	30,657,340
Total	41,481,014	37,516,064
Total Revenues and Other Support	$ 80,019,338	$ 77,729,791

NOTE 7 REVENUE, CONTRACT ASSETS, AND CONTRACT LIABILITIES (CONTINUED)

As of June 30, the Agency had contract liabilities consisting of deferred revenues as follows:

	2023	2022	2021
Excess Revenues	$ 2,793,776	$ 2,790,895	$ 3,441,311
Deferred Revenue	2,085,697	253,028	679,220
Deferred Conditional Contributions	109,446	755,928	346,747
Total Deferred Revenue	$ 4,988,919	$ 3,799,851	$ 4,467,278

The Agency recognized $736,378 and $952,626 as revenue that was previously included in contract liabilities during the years ended June 30, 2023 and 2022, respectively. The Agency had no contract assets as of June 30, 2023 and 2022.

NOTE 8 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Included in fees and grants from governmental agencies is $36,969,892 in 2023 and $39,530,893 in 2022 of revenue received from the Illinois Department of Children and Family Services (DCFS). In addition, the Society received revenue of $9,487,861 in 2023 and $8,308,089 in 2022 from the Illinois Department of Human Services (DHS). The amount of revenue from these funding sources represents approximately 58% and 61% of the Agency's total operating revenue and support for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, the Agency's gross accounts receivable includes amounts due from the DCFS and the DHS of $9,500,226 and $7,522,797, respectively. A summary of unrestricted governmental agency revenue received, by core service, is presented below:

	2023	2022
Counseling	$ 4,133,442	$ 3,383,183
Child Care	13,393,814	11,522,831
Child Care Resource and Referral	7,421,770	6,695,622
Foster Care	23,783,252	22,660,637
Intact Family Services	9,008,654	7,976,822
Parental Support	3,814,706	3,500,883
Residential Services	-	5,788,292
Youth Services	6,917,326	5,153,523
Other	87,655	161,720
Total	$ 68,560,619	$ 66,843,513

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following:

Description	2023	2022
Note payable to a bank with interest at 4.52%. The monthly principal and interest payments are $15,639 with a final payment of $4,953. The loan is secured by a mortgage of real property and assignment of rents recorded against the property. The note was paid in full during the year ending June 30, 2023.	$ -	$ 84,769
Note payable to a bank with a variable interest rate. The initial monthly principal and interest payments are $20,833 with a final payment of $20,881. The loan is secured by a mortgage of real property and assignment of rents recorded against the property and matures in December, 2025. The interest rate is based on changes in the one-month London Interbank Offered Rate (LIBOR) with an initial rate of 2.744%. The interest rate was 7.67% and 3.56% at June 30, 2023 and 2022, respectively.	625,000	875,000
Total	$ 625,000	$ 959,769

Principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2024	$ 250,000
2025	250,000
2026	125,000
Total	$ 625,000

NOTE 10 CREDIT FACILITIES

The Agency has a credit facility ($5,000,000 as of June 30, 2023 and 2022) with a commercial bank which expires on December 31, 2024. Amounts drawn against the facility bear interest at SOFR (secured overnight financing rate) plus 1.5%. No borrowings were made during the years ended June 30, 2023 or 2022. The facility contains certain financial covenants related to liquidity and debt limitations which management believes have been met or waived. It is secured by cash and investments with a market value of approximately $26,588,000 and $25,317,000 at June 30, 2023 and 2022, respectively. The Agency pledged a portion of this credit facility as security on a letter of credit (see Note 13).

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as directed by the donors as of June 30:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Residential Services	$ -	$ 25,000
Counseling	1,363,147	1,005,552
Public Policy	603,927	186,459
Child Care	208,000	659,754
Parental Support	664,198	763,097
Youth Services	85,936	115,697
Intact Family Services	-	35,000
COVID-19 Remediation	-	22,500
Child Care Resources and Referral	4,000	-
Other	25,000	-
Endowments:		
Subject to Appropriation and Expenditure when a Specified Event Occurs:		
Unappropriated Earnings on Permanently Restricted Endowment Funds for Various Programs	3,433,310	3,098,210
Subject to Endowment Spending Policy and Appropriation:		
Donor-Restricted Endowment Funds for Various Programs	2,725,778	2,725,778
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Trusts	5,254,794	4,991,872
Other Donor Restricted	75,952	75,952
Total Net Assets With Donor Restrictions	$ 14,444,042	$ 13,704,871

Certain net assets represent donor-restricted investments to be held in perpetuity. Each year, the trustees of the investments appropriate a portion of the income from there to support program services. The remaining unappropriated earnings are available to support future program services.

Donor-restricted net assets to be held in perpetuity are included in donor-restricted cash and investments, beneficial interest in trusts, and other cash and cash equivalents on the consolidated statements of financial position.

NOTE 12 ENDOWMENTS

The Agency's endowments consist of three donor-restricted funds and the Agency's board-designated fund. The donor-restricted funds have been established to support various programs of the Agency. Net assets associated with the endowment funds are classified and reported based on the existence of any donor-imposed restrictions.

Interpretation of Relevant Law

The Agency has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. Donor-restricted endowment amounts not retained in perpetuity are subject to appropriation in a manner consistent with the standard of prudence prescribed by UPMIFA and in accordance with donor stipulations.

Return Objectives and Risk Parameters

The Agency has adopted investment and distribution policies for endowment investments that attempt to enhance their real value. The intent is to earn a high rate of return while maintaining a balanced portfolio relative to risk.

Distribution Policy

The Agency's distribution policy for endowment investments includes board approvals of amounts to be distributed to the Agency's programs during each fiscal year.

Strategies Employed for Achieving Objectives

The Agency's investment strategy is to achieve a target allocation of 50% of the endowment in direct equity investments, including United States and international investments, 35% in partnerships and hedge funds, and 15% in fixed-income securities.

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 6,159,088	$ 6,159,088
Board-Designated Endowment Funds	25,919,464	-	25,919,464
Total Funds	$ 25,919,464	$ 6,159,088	$ 32,078,552

NOTE 12 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ 24,824,147	$ 5,823,988	$ 30,648,135
Investment Return:			
Investment Income, Net of Fees	443,027	158,739	601,766
Realized and Unrealized Gains	1,708,558	450,161	2,158,719
Total Investment Return	2,151,585	608,900	2,760,485
Endowment Contributions and Other Changes to Board-Designated Amounts	50,532	-	50,532
Appropriation of Endowment Assets for Expenditures	(1,106,800)	(273,800)	(1,380,600)
Net Assets - End of Year	$ 25,919,464	$ 6,159,088	$ 32,078,552

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted:			
Endowment Funds	$ -	$ 5,823,988	$ 5,823,988
Board-Designated:			
Endowment Funds	24,824,147	-	24,824,147
Total Funds	$ 24,824,147	$ 5,823,988	$ 30,648,135

Changes in endowment net assets for the fiscal year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ 30,173,311	$ 7,139,987	$ 37,313,298
Investment Return:			
Investment Income, Net of Fees	431,798	122,806	554,604
Realized and Unrealized Losses	(4,091,994)	(1,190,905)	(5,282,899)
Total Investment Return	(3,660,196)	(1,068,099)	(4,728,295)
Endowment Contributions and Other Changes to Board-Designated Amounts	(751,468)	-	(751,468)
Appropriation of Endowment Assets for Expenditures	(937,500)	(247,900)	(1,185,400)
Net Assets - End of Year	$ 24,824,147	$ 5,823,988	$ 30,648,135

NOTE 13 COMMITMENTS AND CONTINGENCIES

Letters of Credit

One of the Agency's banks issued, on behalf of the Agency, two irrevocable standby letters of credit with a total outstanding amount of $544,894. The first is in favor of BRI 1861 West Monroe LLC and pertains to 200 West Monroe Street, Chicago, Illinois. The second is in favor of 100 North Western LLC and pertains to 100 North Western Avenue, Chicago, Illinois. Each of these letters of credit acts as a security deposit for the Agency's lease of space and would be applied by the beneficiary for the purpose of curing any amount of default on the lease by the Agency. These letters of credit are payable in the amount of the remaining balance if drawn upon.

Litigation

The Agency is named in various lawsuits arising in the ordinary course of business. The ultimate resolution of these lawsuits, including any related financial effects on the Agency, is currently unknown. The Agency has not provided for any potential future losses arising from the resolution of these matters in the accompanying consolidated financial statements. Despite the inherent uncertainties of litigation, management does not believe that the lawsuits will have a material adverse impact on the financial condition of the Agency at this time.

State Funding

The Agency receives a significant portion of its revenues and other support from agencies of the state of Illinois. Payments for the Agency's programs funded by the state of Illinois may be subject to modification based on the amount of funding made available by the state. Should such funding modifications occur, they could have an adverse effect on the Agency's revenue and other support.

Compliance with Grant Restrictions

The state and federal grants received by the Agency are subject to audit. Management believes that any disallowance of expenditures under these grants would not be material.

NOTE 14 PAYCHECK PROTECTION PROGRAM

The Agency received a loan in the amount of $925,000 in March 2021 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (PPP). The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Agency fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The PPP Loan was fully forgiven by the SBA in September 2022 and is included as miscellaneous revenue on the accompanying consolidated statement of activities.

NOTE 14 PAYCHECK PROTECTION PROGRAM (CONTINUED)

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Agency's financial position.

NOTE 15 LEASES

The Agency leases certain program and office facilities throughout the state of Illinois as well as office equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2037 and provide for a variety of renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Most of the facility leases provide for increases in future minimum lease payments. Additionally, the agreements generally require the Agency to pay a portion of common area costs, insurance, and maintenance costs. Some of the agreements require the Agency comply with certain covenants. As of June 30, 2023 the Agency believes they are in compliance with all covenants. Rental expense recognized under these operating leases was $1,881,328 and $1,985,302 for the years ended June 30, 2023 and 2022, respectively.

The following table provides quantitative information concerning the Agency's leases accounted for under FASB ASC 842:

Lease Costs:	
Operating Lease Costs	$ 1,881,328
Other Information:	
Operating Cash Flows from Operating Leases	1,877,515
Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities	1,013,266
Weighted-Average Remaining Lease Term - Operating Leases	10.1 Years
Weighted-Average Discount Rate - Operating Leases	1.83%

A maturity analysis of annual undiscounted cash flows for lease liabilities accounted for under FASB ASC 842 as of June 30, 2023 is as follows:

Year Ending June 30,	Amount
2024	$ 1,761,171
2025	1,390,214
2026	1,265,731
2027	1,291,728
2028	1,146,769
Thereafter	6,024,580
Total Lease Payments	12,880,193
Less: Present Value Discount	(1,146,149)
Present Value of Lease Liabilities	$ 11,734,044

NOTE 15 LEASES (CONTINUED)

Operating lease payments in the table above exclude approximately $3,075,000 of minimum lease payments for leases that have been signed but not yet commenced.

NOTE 16 CONTRIBUTIONS OF NONFINANCIAL ASSETS

The following table shows the Agency’s contributions of nonfinancial assets:

	2023	2022
Holiday Gifts for Participants	$ 147,040	$ 163,649
Services	187,155	84,000
Total	$ 334,195	$ 247,649

The Agency recognizes contributed nonfinancial assets at their estimated fair value when received. All contributed nonfinancial assets were utilized by the Agency’s programs and supporting services. There were no donor imposed restrictions associated with the donated nonfinancial assets.

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 9, 2024, the date the consolidated financial statements were available to be issued.

The Agency entered into an affiliation agreement effective July 1, 2023, whereby the Agency became the sole controlling member of El Hogar del Nino, an Illinois not-for-profit corporation (EHDN). EHDN’s board of directors determined that, in the interests of improving the long-term sustainability of the programs and mission of EHDN, it would be in the best interests of EHDN to align itself with a non-profit provider of similar or related services with greater resources that can provide operational and managerial synergies and ensure long-term sustainability of its programs and mission.

The building that was occupied by the former residential services program and leased to an unrelated third party during the year ending June 30, 2023 was sold on September 13, 2023 for approximately $5,040,000, resulting in a gain of approximately $3,113,000.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Children's Home and Aid Society of Illinois dba: Brightpoint	Children's Home and Aid Society Foundation	Eliminations	Total
ASSETS				
Cash and Cash Equivalents	$ 3,497,711	$ -	$ -	$ 3,497,711
Accounts Receivable, Net of Allowance for Doubtful Accounts of $183,536	15,907,016	-	-	15,907,016
Pledges Receivable	694,243	-	-	694,243
Prepaid Expenses and Other Assets	648,638	-	-	648,638
Endowment Investments	3,025	32,075,527	-	32,078,552
Receivable from Affiliate	-	15,004	(15,004)	-
Beneficial Interest in Trusts	5,254,794	-	-	5,254,794
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	20,248,168	-	-	20,248,168
Operating Lease Right-of-Use Assets	10,626,473	-	-	10,626,473
Total Assets	$ 56,880,068	$ 32,090,531	$ (15,004)	$ 88,955,595
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 2,960,069	$ 51,385	$ -	$ 3,011,454
Accrued Salaries and Benefits	5,776,930	-	-	5,776,930
Deferred Revenue	4,988,919	-	-	4,988,919
Payable to Affiliate	15,004	-	(15,004)	-
Long-Term Debt	625,000	-	-	625,000
Operating Lease Liability	11,734,044	-	-	11,734,044
Total Liabilities	26,099,966	51,385	(15,004)	26,136,347
NET ASSETS				
Without Donor Restrictions	22,495,148	25,880,058	-	48,375,206
With Donor Restrictions	8,284,954	6,159,088	-	14,444,042
Total Net Assets	30,780,102	32,039,146	-	62,819,248
Total Liabilities and Net Assets	$ 56,880,068	$ 32,090,531	$ (15,004)	$ 88,955,595

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Children's Home and Aid Society of Illinois dba: Brightpoint	Children's Home and Aid Society Foundation	Eliminations	Total
ASSETS				
Cash and Cash Equivalents	$ 4,811,245	$ -	$ -	$ 4,811,245
Accounts Receivable, Net of Allowance for Doubtful Accounts of $159,142	11,286,232	-	-	11,286,232
Pledges Receivable	1,008,668	-	-	1,008,668
Prepaid Expenses and Other Assets	615,697	-	-	615,697
Endowment Investments	-	30,648,135	-	30,648,135
Receivable from Affiliate	-	15,004	(15,004)	-
Beneficial Interest in Trusts	4,991,872	-	-	4,991,872
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	21,067,421	-	-	21,067,421
Operating Lease Right-of-Use Assets	11,282,254	-	-	11,282,254
Total Assets	$ 55,063,389	$ 30,663,139	$ (15,004)	$ 85,711,524
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 2,861,598	$ -	$ -	$ 2,861,598
Accrued Salaries and Benefits	5,214,737	-	-	5,214,737
Deferred Revenue	3,799,851	-	-	3,799,851
Payable to Affiliate	15,004	-	(15,004)	-
Capital Lease Obligation	-	-	-	-
Paycheck Protection Program Loan	925,000	-	-	925,000
Long-Term Debt	959,769	-	-	959,769
Operating Lease Liability	12,386,013	-	-	12,386,013
Total Liabilities	26,161,972	-	(15,004)	26,146,968
NET ASSETS				
Without Donor Restrictions	21,020,534	24,839,151	-	45,859,685
With Donor Restrictions	7,880,883	5,823,988	-	13,704,871
Total Net Assets	28,901,417	30,663,139	-	59,564,556
Total Liabilities and Net Assets	$ 55,063,389	$ 30,663,139	$ (15,004)	$ 85,711,524

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Children's Home and Aid Society of Illinois dba: Brightpoint	Children's Home and Aid Society Foundation	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Contributions	$ 4,898,250	$ 3,196	$ (1,380,600)	$ 3,520,846
Foundations and Trusts	1,328,229	-	-	1,328,229
Contributions from Associated Fundraising Organizations	457,482	-	-	457,482
Fees and Grants from Governmental Agencies for Services Rendered to Clients	68,560,619	-	-	68,560,619
Program Service Fees	3,944,851	-	-	3,944,851
Contributed Goods and Services	334,195	-	-	334,195
Miscellaneous	1,873,116	-	-	1,873,116
Total Revenues and Other Support	81,396,742	3,196	(1,380,600)	80,019,338
EXPENSES				
Total Program Services	66,632,677	1,380,600	(1,380,600)	66,632,677
Supporting Services:				
Management and General	11,099,263	-	-	11,099,263
Fundraising	2,056,113	-	-	2,056,113
Total Expenses	79,788,053	1,380,600	(1,380,600)	79,788,053
INCOME (LOSS) FROM OPERATIONS	1,608,689	(1,377,404)	-	231,285
OTHER CHANGES				
Investment Income, Net	7,074	594,692	-	601,766
Net Realized and Unrealized Gains on Investments	262,922	2,158,719	-	2,421,641
Total Other Changes	269,996	2,753,411	-	3,023,407
CHANGE IN NET ASSETS	1,878,685	1,376,007	-	3,254,692
Net Assets - Beginning of Year	28,901,417	30,663,139	-	59,564,556
NET ASSETS - END OF YEAR	$ 30,780,102	$ 32,039,146	$ -	$ 62,819,248

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATE
DBA: BRIGHTPOINT AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Children's Home and Aid Society of Illinois dba: Brightpoint	Children's Home and Aid Society Foundation	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Contributions	$ 5,595,890	$ 406,445	$ (1,185,400)	$ 4,816,935
Foundations and Trusts	1,317,156	-	-	1,317,156
Contributions from Associated Fundraising Organizations	476,984	-	-	476,984
Fees and Grants from Governmental Agencies for Services Rendered to Clients	66,843,513	-	-	66,843,513
Program Service Fees	3,443,488	-	-	3,443,488
Contributed Goods and Services	247,649			247,649
Miscellaneous	584,066	-	-	584,066
Total Revenues and Other Support	78,508,746	406,445	(1,185,400)	77,729,791
EXPENSES				
Total Program Services	65,905,094	1,185,400	(1,185,400)	65,905,094
Supporting Services:				
Management and General	9,723,779	-	-	9,723,779
Fundraising	1,977,883	-	-	1,977,883
Total Expenses	77,606,756	1,185,400	(1,185,400)	77,606,756
INCOME (LOSS) FROM OPERATIONS	901,990	(778,955)	-	123,035
OTHER CHANGES				
Investment Income, Net	83	554,521	-	554,604
Net Realized and Unrealized Losses on Investments	(1,098,036)	(5,282,899)	-	(6,380,935)
Total Other Changes	(1,097,953)	(4,728,378)	-	(5,826,331)
CHANGE IN NET ASSETS	(195,963)	(5,507,333)	-	(5,703,296)
Net Assets - Beginning of Year	29,097,380	36,170,472	-	65,267,852
NET ASSETS - END OF YEAR	$ 28,901,417	$ 30,663,139	$ -	$ 59,564,556

INDEPENDENT AUDITORS' 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*

Board of Trustees
Children's Home and Aid Society of Illinois and Affiliate
dba: Brightpoint and Affiliate
Chicago, Illinois

We have audited, 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, the consolidated financial statements of the Children's Home and Aid Society of Illinois and Affiliate dba: Brightpoint and Affiliate (the Agency), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 9, 2024

CLA Global

INDEPENDENT NETWORK MEMBER