



Consolidated Financial Report
June 30, 2019

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Independent Auditor's Report

RSM US LLP

Boards of Directors
The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Children's Home Association of Illinois, Children's Home Foundation and Youth Farm, Inc. (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Home Association of Illinois, Children's Home Foundation and Youth Farm, Inc. as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and functional expenses of the individual organizations and is not a required part of the 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 financial statements. The consolidating and other supplementary information, except for the information on page 35 marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for that portion marked "unaudited" on which we express no opinion, the information is fairly stated in all material respects in relation to the 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 October 2, 2019 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

RSM US LLP

Peoria, Illinois
October 2, 2019

The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.

Consolidated Statement of Financial Position
June 30, 2019, with Comparative Totals for 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 8,868,305	\$ 9,185,169
Receivables:		
Accounts, net of allowance for doubtful accounts 2019 \$54,000; 2018 \$93,000	3,176,264	3,150,882
Contributions from remainder trust and other trusts	26,000	28,000
Pledges, net of discount	67,216	85,498
Prepaid insurance and other	596,902	559,864
Investments	20,821,553	18,767,064
Property and equipment, net	5,205,503	4,125,818
Beneficial interest in perpetual trusts	12,068,000	12,158,000
Beneficial interest in charitable remainder trust	213,000	193,000
	<u>51,042,743</u>	<u>48,253,295</u>
Total assets	\$ 51,042,743	\$ 48,253,295
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,634,720	\$ 2,650,047
Deferred revenue	783,626	1,162,815
Due to third parties	521,991	266,610
Obligations under capital leases	123,356	54,180
	<u>4,063,693</u>	<u>4,133,652</u>
Total liabilities	4,063,693	4,133,652
Commitments and Contingencies (Notes 11, 12 and 14)		
Net assets:		
Without donor restrictions	32,899,784	30,142,309
With donor restrictions	14,079,266	13,977,334
	<u>46,979,050</u>	<u>44,119,643</u>
Total net assets	46,979,050	44,119,643
	<u>\$ 51,042,743</u>	<u>\$ 48,253,295</u>
Total liabilities and net assets	\$ 51,042,743	\$ 48,253,295

See notes to consolidated financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidated Statement of Activities
Year Ended June 30, 2019, with Comparative Totals for 2018**

	Without Donor Restrictions	With Donor Restriction	Total	
			2019	2018
Public support and revenue:				
Public support:				
Contributions	\$ 651,454	\$ 42,895	\$ 694,349	\$ 677,596
Special events	1,144,159	198,093	1,342,252	1,357,685
Revenue:				
Service fees	17,058,284	-	17,058,284	15,833,341
Grants	3,446,889	-	3,446,889	3,334,658
Tuition	4,706,796	-	4,706,796	4,165,877
Investment income	2,339,782	-	2,339,782	1,923,826
Other	147,246	-	147,246	256,379
Change in value of split- interest agreements	-	(70,000)	(70,000)	83,000
Net assets released from restrictions	69,056	(69,056)	-	-
Total public support and revenue	29,563,666	101,932	29,665,598	27,632,362
Expenses:				
Program services:				
Residential and group home	5,957,426	-	5,957,426	5,769,731
Educational and transitional	7,134,255	-	7,134,255	6,931,690
Foster care	3,546,514	-	3,546,514	3,334,274
Community-based services	7,042,594	-	7,042,594	6,571,682
Supporting services:				
Management and general	2,490,408	-	2,490,408	2,542,204
Fundraising	634,994	-	634,994	547,945
Total expenses	26,806,191	-	26,806,191	25,697,526
Change in net assets	2,757,475	101,932	2,859,407	1,934,836
Net assets:				
Beginning of year	30,142,309	13,977,334	44,119,643	42,184,807
End of year	\$ 32,899,784	\$ 14,079,266	\$ 46,979,050	\$ 44,119,643

See notes to consolidated financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidated Statement of Cash Flows
Year Ended June 30, 2019, with Comparative Totals for 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,859,407	\$ 1,934,836
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	510,145	527,281
Provision for doubtful accounts	6,471	41,317
Net appreciation in fair value of investments	(673,170)	(599,439)
Net loss (gain) on sale of property and equipment	16,817	(1,000)
Decrease (increase) in value of split-interest agreements	70,000	(83,000)
Changes in assets and liabilities:		
Decrease (increase) in:		
Receivables	(11,571)	680,074
Prepaid insurance and other	(37,038)	18,329
Increase (decrease) in:		
Accounts payable, accrued expenses and gift annuity	(167,970)	536,145
Deferred revenue	(379,189)	215,078
Due to third parties	255,381	(80,818)
Net cash provided by operating activities	2,449,283	3,188,803
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	2,022,139	1,451,883
Proceeds from sale of property and equipment	7,000	1,000
Purchase of investments	(3,403,458)	(2,858,056)
Purchase of property and equipment	(1,326,673)	(481,619)
Net cash used in investing activities	(2,700,992)	(1,886,792)
Cash flows from financing activities:		
Principal payments on obligations under capital leases	(65,155)	(80,122)
Net cash used in financing activities	(65,155)	(80,122)
Net (decrease) increase in cash and cash equivalents	(316,864)	1,221,889
Cash and cash equivalents:		
Beginning	9,185,169	7,963,280
Ending	\$ 8,868,305	\$ 9,185,169
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ 4,625	\$ 3,147
Obligations under capital leases incurred for use of equipment	\$ (127,889)	\$ (16,414)
Property and equipment additions in accounts payable	\$ 152,643	\$ -

See notes to consolidated financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019, with Comparative Totals for 2018**

	Program Services				Supporting Services		Total	
	Residential and Group Home	Educational and Transitional	Foster Care	Community- Based Services	Management and General	Fundraising	2019	2018
Salaries	\$ 3,992,902	\$ 4,667,197	\$ 1,516,403	\$ 4,162,330	\$ 1,427,213	\$ 191,975	\$ 15,958,020	\$ 15,397,206
Employee benefits	578,736	699,785	231,590	687,054	209,595	-	2,406,760	2,516,467
Payroll taxes and workers' compensation insurance	389,002	460,666	151,092	425,157	140,141	12,623	1,578,681	1,306,843
Data processing	86,210	98,505	51,015	95,562	18,399	-	349,691	335,483
Contract services and professional fees	29,428	124,830	1,179,693	600,072	199,464	11,954	2,145,441	1,865,752
Activity fees, supplies and postage	102,010	136,668	63,993	126,562	5,106	16,269	450,608	537,083
Food and food service supplies	176,997	261,531	2,603	15,471	-	-	456,602	432,420
Telephone	40,122	51,499	23,743	44,471	8,563	-	168,398	113,061
Occupancy	138,899	160,441	57,973	242,133	20,666	-	620,112	607,128
Repairs, maintenance and equipment rental	94,907	103,308	39,595	53,878	20,164	-	311,852	342,475
Printing, publications and special events	6,946	7,937	4,111	7,898	99,329	400,977	527,198	485,728
Travel and transportation	72,355	59,540	185,444	215,812	33,461	721	567,333	567,211
Conferences, conventions and meetings	10,870	25,207	10,694	40,339	14,497	380	101,987	102,599
Individual assistance	77,854	140,870	1,346	286,646	-	-	506,716	431,141
Provision for (recovery of) doubtful accounts	3,424	1,141	5,616	(9,410)	5,700	-	6,471	41,317
Miscellaneous	500	937	2,362	32,475	99,182	95	135,551	85,183
Total expenses before depreciation and interest	5,801,162	7,000,062	3,527,273	7,026,450	2,301,480	634,994	26,291,421	25,167,097
Depreciation	156,264	134,193	19,241	16,144	177,861	-	503,703	514,905
Interest and amortization	-	-	-	-	11,067	-	11,067	15,524
Total expenses	\$ 5,957,426	\$ 7,134,255	\$ 3,546,514	\$ 7,042,594	\$ 2,490,408	\$ 634,994	\$ 26,806,191	\$ 25,697,526

See notes to consolidated financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities: The Children's Home Association of Illinois (the Association) is an Illinois not-for-profit corporation organized and existing with its mission being to provide children a childhood and future by protecting them, teaching them and healing them and by building strong communities and loving families. The Children's Home Foundation (the Foundation) is an Illinois not-for-profit corporation organized exclusively to financially support the purposes of the Association and actively raise funds for the exclusive use and benefit of the Association. The Foundation funds may be used to promote and enhance all general purposes of the Association in partnership with business and community. Youth Farm, Inc. is an Illinois not-for-profit corporation and is organized exclusively to financially support the operation, including programs and facilities, of the Youth Farm campus of the Association with its mission being consistent with that of the Association. The Association, the Foundation and Youth Farm, Inc. are referred to collectively as the "Organization."

The Organization's administrative office, residential treatment facilities, a school, a behavioral health services center, a family service center, a group home, four transitional living program homes and 69 acres of farmland including a house, garage, two sheds and a cottage are located in Peoria, Illinois. The Organization utilizes the farmland to take children fishing, camping and for other activities related to programs operated by the Organization.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts and transactions of the Association, the Foundation and Youth Farm, Inc. All significant interorganization account balances and transactions have been eliminated in consolidation.

Contributions: Gifts of cash and other assets are presented as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Gifts of land, buildings and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services: The Organization recognizes contribution support (and records-related program expense) for certain services received at the fair value of those services. In the opinion of management, such services were not significant for the year ended June 30, 2019. In addition, the Organization receives support from numerous other volunteers for its various programs for which no value has been assigned.

Revenue recognition: Revenues from service fees and grants are classified as exchange transactions and such amounts are reported as deferred revenue until expended in accordance with the terms of the provider whereby revenue recognition occurs. Tuition revenue is recognized in the month of attendance based on school attendance levels times authorized rates. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, all checking and money market funds are reported as cash and cash equivalents, and investments in debt and equity securities, regardless of maturity, are reported as investments. The Organization maintains its cash, cash equivalents and certain investments in bank deposit accounts, which at times exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using risk-free interest rates applicable to the years in which the promises are received. Amortization of such discounts is included in contribution support. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give as of June 30, 2019.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses on investments purchased and sold and unrealized holding gains and losses included in the consolidated statement of activities. Realized and unrealized gains/losses on investments with donor restrictions are recorded as investment income without donor restrictions unless specified as restricted by the donor.

Property and equipment: Expenditures for the acquisition of property and equipment are capitalized at cost; donated equipment is carried at the estimated fair value as of the date received as a donation. Depreciation is provided over the estimated useful lives of the assets (generally 8 to 20 years for buildings and improvements and 5 to 8 years for vehicles and equipment) on the straight-line method. Depreciation on leasehold improvements is limited to the lease term or life of the asset, whichever is less.

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Impairment of long-lived assets: The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are impaired, the impairment is recognized as the amount by which the carrying amount exceeds the estimated fair value of the asset. Assets to be sold are reported at the lower of the carrying amount or the fair value less costs to sell. No indicators of impairment were identified during the year ended June 30, 2019.

Split-interest agreements: The Organization receives certain support in the form of contributions that are shared with other beneficiaries designated by the donors. These contributions are split-interest agreements and consist of beneficial interest in perpetual trusts and charitable remainder trusts. Assets and revenues are recognized at estimated fair value for the Organization's beneficial interest in trusts when it is notified of the trust's existence and for charitable remainder trusts and charitable gift annuities in the period in which the contract is executed.

Changes in the value of split-interest agreements are recognized in the consolidated statement of activities for changes in the discounted cash flows or fair value of the assets held in trust, amortization of the discount associated with certain contributions receivable and revaluations of expected future payments to other beneficiaries, based on changes in life expectancy, and other assumptions.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Recently adopted accounting standards: Effective July 1, 2018, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, using a retrospective method. The adoption of the ASU resulted in the reduction of the number of net asset categories from three to two, several new requirements related to expense presentation and disclosure, and new required disclosures communicating information useful in assessing liquidity. The Organization made changes to terminology and classification as described above as well as additional and modified disclosures, particularly in Notes 2 and 9 to the financial statements.

Pending accounting standards: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether or not the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type lease, direct financing leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2019, and therefore is expected to be adopted by the Organization for the year ending June 30, 2021. Early adoption is permitted. Management is currently evaluating the impact that adoption will have on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and therefore is expected to be adopted by the Organization for the year ending June 30, 2020. Early adoption is permitted. Management is currently evaluating the impact that adoption will have on the Organization's financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes certain disclosures, modifies certain disclosures and added additional disclosures. The ASU will be effective for the Organization's June 30, 2021, financial statements. Certain disclosures in ASU 2018-13 would need to be applied on a retrospective basis and others on a prospective basis. The Organization is currently evaluating the effect of the new standard on the financial statements.

Income taxes: The Association, the Foundation and Youth Farm, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income unrelated to their charitable purposes.

Management has evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Functional allocation of expenses: The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Maintenance, housekeeping, and other occupancy costs are allocated according to the number of staff utilizing a facility or square footage of the staff utilizing the space. Management and general and quality improvement personnel and associated costs are allocated according to the proportionate cost of each program. Food costs for the residential and educational programs are allocated based on the number of meals per client per program. Fringe benefits are allocated based on the number of staff in each program.

Comparative totals: The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications: Certain 2018 amounts have been reclassified to conform to the current year financial statement presentation.

Use of estimates in the preparation of consolidated financial statements: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**The Children’s Home Association of Illinois,
Children’s Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2019, the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Cash and cash equivalents	\$ 8,868,305
Accounts receivable, net	3,176,264
Contributions from remainder trust and other asses	26,000
Pledges, net of discount	16,500
Investments	19,023,286
Total financial assets available for general expenditures	<u>\$ 31,110,355</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equities, and lines of credit. See Note 8 for information about the Organization’s lines of credit.

Note 3. Pledges Receivable and Fundraising Campaign

Pledges receivable as of June 30, 2019 and 2018, consisted of the following unconditional promises to give:

	2019	2018
Program campaign pledges, with donor restrictions	\$ 72,288	\$ 92,288
Less unamortized discount	5,072	6,790
Discounted program campaign pledges receivable	<u>\$ 67,216</u>	<u>\$ 85,498</u>
Discounted program campaign pledges		
due in future years as follows:		
Less than one year	\$ 16,500	\$ 17,600
One year to five years	47,500	62,800
Thereafter	3,216	5,098
	<u>\$ 67,216</u>	<u>\$ 85,498</u>

During the year ended June 30, 2012, the Foundation initiated a 10-year gifts campaign entitled “Light the Way Society” designed to provide care and treatment for children with severe emotional and behavioral challenges, provide in-home counseling, teach independent living skills and build healthy relationships between single mothers and their children.

The Foundation used a discount rate of 10 percent as of June 30, 2019 and 2018.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 4. Investments

The fair value of investments as of June 30, 2019 and 2018, is summarized by concentration as follows:

	2019	2018
Mutual funds	\$ 14,445,228	\$ 13,004,286
Common stocks	6,376,325	5,762,778
	<u>\$ 20,821,553</u>	<u>\$ 18,767,064</u>

Note 5. Property and Equipment

Property and equipment as of June 30, 2019 and 2018, consisted of the following:

	2019	2018
Land	\$ 756,258	\$ 756,258
Buildings	2,843,582	2,843,582
Land and buildings improvements and leasehold improvements	5,889,414	6,327,090
Furniture and equipment, including assets acquired under capital leases 2019 \$141,265; 2018 \$332,298	1,505,811	2,169,849
Vehicles	448,188	432,617
Construction-in-progress	1,131,575	-
	<u>12,574,828</u>	<u>12,529,396</u>
Less accumulated depreciation, including amounts applicable to assets acquired under capital leases 2019 \$19,804; 2018 \$293,247	7,369,325	8,403,578
	<u>\$ 5,205,503</u>	<u>\$ 4,125,818</u>

The Association owns or has perpetual use of the facilities located at 2130 N. Knoxville, Peoria, Illinois. The historical cost of the owned land and buildings, acquired prior to 1900, has not been maintained. Under present policy, the depreciable portion of these assets would be fully depreciated prior to 1950. The associated land would be carried at the pre-1900 historical cost presently deemed by the Association to be a nominal value. As a result of the above, the historical cost of the original facilities, whether owned or perpetually used, is not reflected in these financial statements.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 6. Beneficial Interest in Trusts

The Association is the beneficiary of certain perpetual trusts held by third-party trustees. Under the terms of the trusts, which were obtained in previous years from various donors, the Association has the irrevocable right to receive net investment income earned (excluding realized and unrealized gains/losses) on the trust's assets in perpetuity, but never receives the assets held in trust. Distributions of income earned on the trust's assets are received by the Association on an annual basis and are reported as investment income that increases net assets without donor restrictions. Such distributions received from these trusts were approximately \$9,300 and \$17,800 for the years ended June 30, 2019 and 2018, respectively.

The Association has a beneficial interest in two perpetual trusts that allow for the payment of income up to specified criteria. Total amounts received from these beneficial interests were approximately \$698,200 and \$698,800 for the years ended June 30, 2019 and 2018, respectively.

The beneficial interests in perpetual trusts as of June 30, 2019 and 2018, were determined as follows:

	2019	2018
Beneficial interest times fair value of assets held in trust	\$ 11,799,000	\$ 11,889,000
Discounted cash flow analysis	269,000	269,000
	<u>\$ 12,068,000</u>	<u>\$ 12,158,000</u>

The Organization is the beneficiary of 25 percent of the remainder interest of a unitrust. The trust's assets will be distributed upon the death of the last living beneficiary. At June 30, 2019 and 2018, the estimated fair value of the remainder interest was \$213,000 and \$193,000, respectively.

Note 7. 401(k) Pension Plan

The Association has a defined contribution 401(k) pension plan (the Plan) covering all employees who are age 21 or older and meet other eligibility requirements as defined by the Plan. The Association's matching contributions are discretionary in an amount equal to the percentage declared by the Association's Board of Directors for each plan year. The Association's Board of Directors declared a matching contribution to match 100 percent of a participant's pre-tax contributions, up to a maximum of 4 percent of a participant's eligible compensation for the years ended June 30, 2019 and 2018. The Plan also includes a supplemental contribution component whereby the Association may make additional discretionary contributions to the Plan. The Association's contribution expense under the Plan totaled approximately \$243,000 and \$239,000 for the years ended June 30, 2019 and 2018, respectively.

Note 8. Line of Credit

The Association has a revolving line-of-credit arrangement with a national bank totaling \$2,500,000 that expires on December 31, 2019, or such later date as may be designated by written notice from the bank. Advances under this agreement bear interest at a variable rate based upon one-month LIBOR plus 1.75 percent (effective interest rate of 4.15 percent at June 30, 2019) are due on December 31, 2019, and are collateralized by investments. Interest is payable monthly. There were no outstanding borrowings under the line of credit as of June 30, 2019 and 2018.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 9. Net Assets with Donor Restrictions and Assets Released from Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018, were available for the following purposes:

	2019	2018
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	\$ 213,000	\$ 193,000
Subject to expenditure for specified purpose:		
Leaders of Tomorrow Program	795,121	793,621
Scott's Prairie	20,759	58,677
Youth Farm Campus	643,906	445,813
Other	104,468	95,411
	<u>1,564,254</u>	<u>1,393,522</u>
Subject to restriction in perpetuity:		
Investments, program services	100,000	100,000
Investments, scholarship funds	84,012	82,812
Beneficial interest in perpetual trusts	12,068,000	12,158,000
Other	50,000	50,000
	<u>12,302,012</u>	<u>12,390,812</u>
	<u>\$ 14,079,266</u>	<u>\$ 13,977,334</u>

The scholarship funds, as noted above, are to provide support for youth who are involved with the juvenile justice system. Investment earnings are available for program service activities. Principal is to be maintained in perpetuity.

Net assets with donor restrictions were released from donor restrictions during the years ended June 30, 2019 and 2018, by incurring expenses or applicable property and equipment additions satisfying the restricted purposes specified by donors, as follows:

	2019	2018
Purpose restrictions accomplished:		
Scott's Prairie	\$ 37,918	\$ 79,770
Other	31,138	34,193
	<u>\$ 69,056</u>	<u>\$ 113,963</u>

Note 10. Support from Major Funding Sources

The Association receives a substantial amount of its service fees and grants revenue from the Illinois Department of Children and Family Services (DCFS) and the Illinois Department of Human Services (DHS). Total revenue recognized from DCFS and DHS totaled approximately \$14,770,000 and \$1,510,000, respectively, for the year ended June 30, 2019, and \$13,120,000 and \$1,346,000, respectively, for the year ended June 30, 2018. Accounts receivable from DCFS and DHS totaled approximately \$1,276,000 and \$305,000, respectively, as of June 30, 2019, and \$1,035,000 and \$288,000, respectively, as of June 30, 2018.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 11. Membership in Captive Insurance Companies and Self-Insurance

The Association is a member of two captive insurance companies, Vision Insurance Company (VIC), and beginning April 1, 2018, Vision Series of Sentinel Indemnity LLC (VS). In order to be a member of VS, an organization must first be an existing member of VIC. The purpose of VIC and VS is to spread the risk of loss among its members, and ultimately save members on the costs of insurance as compared to the members purchasing coverage individually. VIC and VS charge its members premiums and pays claims and, after a certain claim maximum is reached, utilizes specific and aggregate excess reinsurance coverage purchased by VIC and VS on behalf of its members.

VIC, in which the Association holds an ownership interest, operates as an insurance company limited by guarantee under an insurance license granted by the Cayman Islands Government. VIC assumes reinsurance, on an occurrence basis, of workers' compensation, automobile, physical damage, and general liability risks of its members from an unrelated insurance company based in the United States of America. The Association utilizes VIC for its workers' compensation insurance needs. The liability of VIC is limited to the first \$400,000 per occurrence. As of June 30, 2019, VIC had 67 members.

The Association utilizes the cost method to account for its membership interest in VIC of \$36,000 as of June 30, 2019 and 2018, and its deposit of collateral in VIC as of June 30, 2019 and 2018, of \$381,228 and \$399,322, respectively, the deposit of collateral of which is based on a portion of the Association's premium costs over a rolling three-year period. The membership interest and deposit of collateral are reported as a component of prepaid insurance and other assets in the accompanying consolidated statement of financial position. The Association's premium costs incurred for the years ended June 30, 2019 and 2018, were approximately \$519,000 and \$469,000, respectively. The participation agreement with VIC has a retrospective feature that requires additional premium payments should the Association's claims experience for a specific policy year exceed certain limits. The maximum premium costs that could be incurred related to VIC for the policy years ended June 30, 2019 and 2018, were approximately \$559,000 and \$586,000, respectively. As of June 30, 2019, based on the Association's claim experience, management estimated \$12,000 as an estimate for additional premium liability. As of June 30, 2018, based on the Association's claims experience, management accrued approximately \$11,600 as an estimate for additional premium liability.

The Association self-insures a portion of the risks associated with medical benefits for its employees and their dependents. The Association has purchased a stop-loss policy with a policy year ending March 31, 2020 that contains provisions that limit the Association's claim exposure to the first \$100,000 of qualifying medical expenses per person on a policy year basis and contains an aggregate excess loss coverage in the event total claims incurred during the policy period exceed approximately \$3,666,000. For the policy period ending March 31, 2019, the Association's stop-loss policy had the same specific deductible and an aggregate deductible of approximately \$2,166,000.

Beginning April 1, 2018, the Association became a member of VS, which is a business unit and protected cell organized by Sentinel Indemnity LLC, a sponsored captive insurance company in the state of Delaware. The Association does not hold ownership interest in VS and, as such, no capital contribution was made to become a member. VS assumes reinsurance, on an occurrence basis, of medical stop loss insurance liability risks of its members from the insurance company issuing the stop loss policy discussed in the preceding paragraph. The liability of VS is limited to the first \$250,000 of qualifying medical expenses per person on a policy year basis in excess of the member's retention of \$100,000. As of June 30, 2019, VS had 9 members. The Association's non-premium funding in VS as of June 30, 2019 and 2018, was \$45,733 and \$31,279, respectively, and would be utilized as needed in the event of an adverse experience. The non-premium funding is reported as a component of prepaid insurance and other assets in the accompanying consolidated statement of financial position.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 11. Membership in Captive Insurance Companies and Self-Insurance (Continued)

The Association's health benefits expense totaled approximately \$2,128,000 and \$2,240,000 for the years ended June 30, 2019 and 2018, respectively.

Note 12. Lease Commitments and Total Rental Expense

Certain office equipment with a depreciated cost net book value of approximately \$121,500 as of June 30, 2019, was acquired under capital leases which contain purchase options under which the Association may purchase the equipment for \$1 each at the end of the respective lease. The equipment and the related liability under the capital leases were recorded at the present value of the future payments due under the leases, as determined using an interest rate equal to the prime rate in effect at the time of purchase (ranging from 3.25 percent to 5.50 percent). The related liability under the capital leases, with a June 30, 2019 balance of \$123,356, net of unamortized discount of \$8,586, is due in monthly installments of approximately \$2,952, including interest, to February 2024.

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2019:

	<u>Amount</u>
Year ending June 30,	
2020	\$ 35,421
2021	34,381
2022	32,301
2023	32,301
2024	15,882
Total minimum lease payments	<u>150,286</u>
Less amount representing interest and discount	26,930
Present value of net minimum lease payments	<u>\$ 123,356</u>

The Association leases certain real estate and equipment under various written lease agreements classified as operating leases that generally require monthly or quarterly rental payments over the term of the applicable lease. Some of these operating leases include renewal option provisions that allow for extension of the term of the lease, if elected by the Association.

The approximate minimum rental commitment at June 30, 2019, applicable to operating leases, is due as follows:

	<u>Amount</u>
Year ending June 30,	
2020	\$ 131,000
2021	101,000
2022	84,000
	<u>\$ 316,000</u>

Total rental expense for the years ended June 30, 2019 and 2018, was approximately \$182,000 and \$202,000, respectively.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements

The framework applicable to certain FASB-issued authoritative guidance regarding fair value measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2019.

Mutual funds: Valued at the daily closing price net asset value (NAV) as reported by the applicable fund of shares held by the Organization at year-end.

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded of shares held by the Organization at year-end.

U.S. government and other fixed income securities: Valued at the closing price reported in the active market in which the security is traded.

Beneficial interest in perpetual trusts: Valued based on the beneficial interest times the fair value of the underlying assets held in trust by a third-party trustee at year-end or at a discounted cash flow analysis of the estimated future income derived from the Organization's interest in the trust with the discount rate used based on the estimated return market participants would expect on similar assets. For the portion valued based on the beneficial interest times the fair value of the underlying assets held in trust by a third-party trustee, the underlying assets are primarily comprised of mutual funds, common stocks and debt securities which methodologies are described above. For the portion valued using a discounted cash flow analysis, estimated future income derived was based on an average of annual income distributions from the trusts received for the previous 10 years, distributed for 30 years in the future and using an estimated discount rate of 4.75 percent.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

Beneficial interest in charitable remainder trust: Valued based on the beneficial interest times the fair value of the underlying assets held in trust by a third-party trustee at year-end and discounted using the remaining life expectancy tables of the living beneficiaries and a discount rate of 7 percent.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets reported at fair value as of June 30, 2019 and 2018:

	Level 1	Level 2	Level 3	Total
	2019			
Investments:				
Mutual funds:				
Intermediate term bond	\$ 5,760,384	\$ -	\$ -	\$ 5,760,384
Short term bond	1,967,948	-	-	1,967,948
Small cap value	2,088,471	-	-	2,088,471
Large cap growth	2,409,348	-	-	2,409,348
Large cap blend	219,783	-	-	219,783
Foreign large cap value	1,999,294	-	-	1,999,294
Common stocks:				
Domestic:				
Consumer discretionary	334,910	-	-	334,910
Consumer staples	532,454	-	-	532,454
Energy	261,549	-	-	261,549
Financial	1,169,724	-	-	1,169,724
Healthcare	734,376	-	-	734,376
Industrials	577,443	-	-	577,443
Information technology	1,007,095	-	-	1,007,095
Materials	131,136	-	-	131,136
Telecommunication services	361,076	-	-	361,076
Utilities	1,070,393	-	-	1,070,393
Foreign:				
Energy	196,169	-	-	196,169
Beneficial interest in perpetual trusts:				
Beneficial interest times fair value of assets held in trust ⁽¹⁾	-	-	11,799,000	11,799,000
Discounted cash flow analysis	-	-	269,000	269,000
Beneficial interest in charitable remainder trust	-	-	213,000	213,000
Total assets at fair value	<u>\$ 20,821,553</u>	<u>\$ -</u>	<u>\$ 12,281,000</u>	<u>\$ 33,102,553</u>

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

	Level 1	Level 2	Level 3	Total
	2018			
Investments:				
Mutual funds:				
Intermediate term bond	\$ 5,301,671	\$ -	\$ -	\$ 5,301,671
Short term bond	1,568,461	-	-	1,568,461
Small cap value	2,013,257	-	-	2,013,257
Large cap growth	2,160,880	-	-	2,160,880
Large cap blend	227,328	-	-	227,328
Foreign large cap value	1,732,689	-	-	1,732,689
Common stocks:				
Domestic:				
Consumer discretionary	319,546	-	-	319,546
Consumer staples	540,600	-	-	540,600
Energy	312,623	-	-	312,623
Financial	1,129,547	-	-	1,129,547
Healthcare	515,086	-	-	515,086
Industrials	525,674	-	-	525,674
Information technology	875,420	-	-	875,420
Materials	120,558	-	-	120,558
Telecommunication services	242,130	-	-	242,130
Utilities	986,866	-	-	986,866
Foreign:				
Energy	194,728	-	-	194,728
Beneficial interest in perpetual trusts:				
Beneficial interest times fair value of assets held in trust ⁽¹⁾	-	-	11,889,000	11,889,000
Discounted cash flow analysis	-	-	269,000	269,000
Beneficial interest in charitable remainder trust	-	-	193,000	193,000
Total assets at fair value	<u>\$ 18,767,064</u>	<u>\$ -</u>	<u>\$ 12,351,000</u>	<u>\$ 31,118,064</u>

⁽¹⁾ A substantial portion of the Organization's beneficial interest in perpetual trusts is valued based on the Organization's proportionate share (beneficial interest) of the underlying net assets held in trust with a third-party national financial-institution trustee.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

The following table presents a summary of the concentration of the Organization's beneficial interest in the fair value of those underlying assets held in perpetual trust as of June 30, 2019 and 2018:

	2019	2018
Mutual funds	\$ 8,156,035	\$ 8,657,818
Exchange-traded funds	2,409,674	1,741,328
Common stocks	-	1,267,503
U.S. government and other fixed-income securities	450	467
Other	1,232,841	221,884
	<u>\$ 11,799,000</u>	<u>\$ 11,889,000</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2019 and 2018:

	2019	2018
Balance, beginning of year	\$ 12,351,000	\$ 12,268,000
Change in value of beneficial interest in perpetual trusts	(85,000)	87,000
Change in value of beneficial interest in charitable remainder trust	15,000	(4,000)
Balance, end of year	<u>\$ 12,281,000</u>	<u>\$ 12,351,000</u>

Note 14. Other Commitments and Contingencies

The Organization is involved in certain legal proceedings and/or litigation arising in the ordinary course of its activities. In the opinion of management, the outcome of such proceedings and/or litigation is not expected to have a significant effect on the Organization's financial position, results of activities or cash flows.

Note 15. Subsequent Events

The Organization has evaluated all subsequent events through October 2, 2019, which is the date the consolidated financial statements were available to be issued.

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidating Statement of Financial Position
June 30, 2019**

	The Children's Home Association of Illinois	Children's Home Foundation	Youth Farm, Inc.	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 7,345,526	\$ 773,818	\$ 748,961	\$ -	\$ 8,868,305
Receivables:					
Accounts, net of allowance	3,189,621	64,592	54,418	(132,367)	3,176,264
Contributions from remainder trust and other trusts	26,000	-	-	-	26,000
Pledges, net of discount	-	67,216	-	-	67,216
Prepaid insurance and other	596,902	-	-	-	596,902
Investments	206,588	20,614,965	-	-	20,821,553
Property and equipment, net	4,594,429	-	611,074	-	5,205,503
Beneficial interest in perpetual trusts	12,068,000	-	-	-	12,068,000
Beneficial interest in charitable remainder trust	-	-	213,000	-	213,000
Interest in net assets of Children's Home Foundation	21,422,755	-	-	(21,422,755)	-
Interest in net assets of Youth Farm, Inc.	1,597,925	-	-	(1,597,925)	-
Total assets	\$ 51,047,746	\$ 21,520,591	\$ 1,627,453	\$ (23,153,047)	\$ 51,042,743
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,639,723	\$ 97,836	\$ 29,528	\$ (132,367)	\$ 2,634,720
Deferred revenue	783,626	-	-	-	783,626
Due to third parties	521,991	-	-	-	521,991
Obligations under capital leases	123,356	-	-	-	123,356
Total liabilities	4,068,696	97,836	29,528	(132,367)	4,063,693
Net assets:					
Without donor restrictions	32,899,784	20,522,863	741,019	(21,263,882)	32,899,784
With donor restrictions	14,079,266	899,892	856,906	(1,756,798)	14,079,266
Total net assets	46,979,050	21,422,755	1,597,925	(23,020,680)	46,979,050
Total liabilities and net assets	\$ 51,047,746	\$ 21,520,591	\$ 1,627,453	\$ (23,153,047)	\$ 51,042,743

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidating Statement of Activities
Year Ended June 30, 2019**

	The Children's Home Association of Illinois		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Contributions	\$ 350,000	\$ 40,195	\$ 390,195
Special events	1,046,672	-	1,046,672
Revenue:			
Service fees	17,058,284	-	17,058,284
Grants	3,446,889	-	3,446,889
Tuition	4,706,796	-	4,706,796
Investment income	870,575	-	870,575
Other	142,052	-	142,052
Change in value of split-interest agreements	-	(90,000)	(90,000)
Net assets released from restrictions	31,138	(31,138)	-
Total public support and revenue	27,652,406	(80,943)	27,571,463
Expenses:			
Program services:			
Residential and group home	5,987,426	-	5,987,426
Educational and transitional	7,134,255	-	7,134,255
Foster care	3,546,514	-	3,546,514
Community-based services	7,042,594	-	7,042,594
Supporting services:			
Management and general	2,266,061	-	2,266,061
Fundraising	634,994	-	634,994
Total expenses	26,611,844	-	26,611,844
Excess (deficiency) of support and revenue over expenses	1,040,562	(80,943)	959,619
Other changes in net assets:			
Interest in excess of support and revenue over expenses of the Foundation and Youth Farm, Inc.	1,716,913	182,875	1,899,788
Net transfers between the Foundation and Youth Farm, Inc.	-	-	-
Change in net assets	2,757,475	101,932	2,859,407
Net assets:			
Beginning of year	30,142,309	13,977,334	44,119,643
End of year	\$ 32,899,784	\$ 14,079,266	\$ 46,979,050

Children's Home Foundation			Youth Farm, Inc.			Eliminations	Total
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ 299,954	\$ 2,700	\$ 302,654	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 694,349
-	-	-	97,487	198,093	295,580	-	1,342,252
-	-	-	-	-	-	-	17,058,284
-	-	-	-	-	-	-	3,446,889
-	-	-	-	-	-	-	4,706,796
1,469,207	-	1,469,207	-	-	-	-	2,339,782
-	-	-	35,194	-	35,194	(30,000)	147,246
-	-	-	-	20,000	20,000	-	(70,000)
37,918	(37,918)	-	-	-	-	-	-
1,807,079	(35,218)	1,771,861	134,181	218,093	352,274	(30,000)	29,665,598
-	-	-	-	-	-	(30,000)	5,957,426
-	-	-	-	-	-	-	7,134,255
-	-	-	-	-	-	-	3,546,514
-	-	-	-	-	-	-	7,042,594
23,134	-	23,134	201,213	-	201,213	-	2,490,408
-	-	-	-	-	-	-	634,994
23,134	-	23,134	201,213	-	201,213	(30,000)	26,806,191
1,783,945	(35,218)	1,748,727	(67,032)	218,093	151,061	-	2,859,407
-	-	-	-	-	-	(1,899,788)	-
(37,916)	-	(37,916)	37,916	-	37,916	-	-
1,746,029	(35,218)	1,710,811	(29,116)	218,093	188,977	(1,899,788)	2,859,407
18,776,834	935,110	19,711,944	770,135	638,813	1,408,948	(21,120,892)	44,119,643
\$ 20,522,863	\$ 899,892	\$ 21,422,755	\$ 741,019	\$ 856,906	\$ 1,597,925	\$ (23,020,680)	\$ 46,979,050

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Consolidating Statement of Functional Expenses
Year Ended June 30, 2019**

	The Children's Home			
	Program Services			
	Residential and Group Home	Educational and Transitional	Foster Care	Community- Based Services
Salaries	\$ 3,992,902	\$ 4,667,197	\$ 1,516,403	\$ 4,162,330
Employee benefits	578,736	699,785	231,590	687,054
Payroll taxes and workers' compensation insurance	389,002	460,666	151,092	425,157
Data processing	86,210	98,505	51,015	95,562
Contract services and professional fees	29,428	124,830	1,179,693	600,072
Activity fees, supplies and postage	132,010	136,668	63,993	126,562
Food and food service supplies	176,997	261,531	2,603	15,471
Telephone	40,122	51,499	23,743	44,471
Occupancy	138,899	160,441	57,973	242,133
Repairs, maintenance and equipment rental	94,907	103,308	39,595	53,878
Printing, publications and special events	6,946	7,937	4,111	7,898
Travel and transportation	72,355	59,540	185,444	215,812
Conferences, conventions and meetings	10,870	25,207	10,694	40,339
Individual assistance	77,854	140,870	1,346	286,646
Provision for (recovery of) doubtful accounts	3,424	1,141	5,616	(9,410)
Miscellaneous	500	937	2,362	32,475
Total expenses before depreciation and interest	5,831,162	7,000,062	3,527,273	7,026,450
Depreciation	156,264	134,193	19,241	16,144
Interest and amortization	-	-	-	-
Total expenses	\$ 5,987,426	\$ 7,134,255	\$ 3,546,514	\$ 7,042,594

Association of Illinois			Children's Home Foundation	Youth Farm, Inc.		
Supporting Services						
Management and General	Fundraising	Total	Management and General	Management and General	Eliminations	Total
\$ 1,386,142	\$ 191,975	\$ 15,916,949	\$ -	\$ 41,071	\$ -	\$ 15,958,020
209,595	-	2,406,760	-	-	-	2,406,760
137,227	12,623	1,575,767	-	2,914	-	1,578,681
18,399	-	349,691	-	-	-	349,691
181,801	11,954	2,127,778	17,434	229	-	2,145,441
5,027	16,269	480,529	-	79	(30,000)	450,608
-	-	456,602	-	-	-	456,602
8,563	-	168,398	-	-	-	168,398
10,961	-	610,407	-	9,705	-	620,112
1,801	-	293,489	-	18,363	-	311,852
1,482	400,977	429,351	-	97,847	-	527,198
31,481	721	565,353	-	1,980	-	567,333
14,497	380	101,987	-	-	-	101,987
-	-	506,716	-	-	-	506,716
-	-	771	5,700	-	-	6,471
99,182	95	135,551	-	-	-	135,551
2,106,158	634,994	26,126,099	23,134	172,188	(30,000)	26,291,421
148,836	-	474,678	-	29,025	-	503,703
11,067	-	11,067	-	-	-	11,067
<u>\$ 2,266,061</u>	<u>\$ 634,994</u>	<u>\$ 26,611,844</u>	<u>\$ 23,134</u>	<u>\$ 201,213</u>	<u>\$ (30,000)</u>	<u>\$ 26,806,191</u>

The Children's Home Association of Illinois

Revenue by Program
Year Ended June 30, 2019, with Comparative Totals for 2018

	Residential and Group Homes				Educational and Transitional				
	Challenger/ Freedom Residential	Atlantis Residential	Enterprise Residential	Group Homes	Transitional Living	Transitional Living DD	Independent Living	Kiefer School	Academy for Autism
	Fees, tuition and grants revenue:								
Service fees:									
Illinois Department of Children and Family Services	\$ 2,436,041	\$ 1,145,619	\$ 1,146,382	\$ 1,200,514	\$ 672,089	\$ 1,302,098	\$ 497,477	\$ -	\$ -
Illinois Department of Human Services	119,058	110,944	116,543	-	-	-	-	-	-
Illinois Department of Juvenile Justice	-	53,197	-	-	74,599	22,216	-	-	-
School	-	19,249	-	-	-	-	-	-	-
Illinois State Board of Education	29,201	17,533	13,493	15,438	-	-	-	81,995	8,175
Other	8,789	-	-	-	-	-	-	-	-
Illinois Department of Healthcare and Family Services	-	-	-	-	-	-	-	-	-
Tuition	-	-	-	-	-	-	-	3,812,239	894,557
Grants:									
Illinois Department of Children and Family Services	-	-	-	-	-	-	-	-	-
Illinois Department of Human Services	-	-	-	-	-	-	-	8,848	-
Illinois State Board of Education	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue by program	\$ 2,593,089	\$ 1,346,542	\$ 1,276,418	\$ 1,215,952	\$ 746,688	\$ 1,324,314	\$ 497,477	\$ 3,903,082	\$ 902,732

(Continued)

The Children's Home Association of Illinois

Revenue by Program (Continued)
Year Ended June 30, 2019, with Comparative Totals for 2018

	Foster Care		Community-Based Services					
	Therapeutic Foster Care	Traditional Foster Care	Intensive Placement Services	Intact Family Services	Tri-County Adolescent Services	Mental Health Programs	Screening Assessment & Support Services (SASS)	Substance Use Prevention & Recovery
Fees, tuition and grants revenue:								
Service fees:								
Illinois Department of Children and Family Services	\$ 2,158,502	\$ 1,996,884	\$ -	\$ 1,457,768	\$ -	\$ -	\$ -	\$ -
Illinois Department of Human Services	-	-	-	-	73,687	-	-	20,136
Illinois Department of Juvenile Justice School	-	-	-	-	-	-	-	-
Illinois State Board of Education	-	-	-	-	-	-	-	-
Other	-	-	-	-	296,896	-	705,994	16,117
Illinois Department of Healthcare and Family Services	-	-	-	-	-	-	836,301	-
Tuition	-	-	-	-	-	-	-	-
Grants:								
Illinois Department of Children and Family Services	-	-	351,766	-	-	-	-	-
Illinois Department of Human Services	-	-	-	-	-	11,746	-	-
Illinois State Board of Education	-	-	-	-	-	-	-	-
Other	4,000	-	-	-	-	521,138	-	-
Total revenue by program	\$ 2,162,502	\$ 1,996,884	\$ 351,766	\$ 1,457,768	\$ 370,583	\$ 532,884	\$ 1,542,295	\$ 36,253

(Continued)

The Children's Home Association of Illinois

Revenue by Program (Continued)
 Year Ended June 30, 2019, with Comparative Totals for 2018

Community-Based Services (Continued)

	Juvenile Justice	Family Based Intervention	Coordinated Intake	Early Childhood	Good Beginnings	Family Connect	Homeless Youth	Youth Services
Fees, tuition and grants revenue:								
Service fees:								
Illinois Department of Children and Family Services	\$ -	\$ 164,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Illinois Department of Human Services	-	-	-	-	-	-	-	-
Illinois Department of Juvenile Justice	-	-	-	-	-	-	-	-
School	-	-	-	-	-	-	-	-
Illinois State Board of Education	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Illinois Department of Healthcare and Family Services	-	-	-	-	-	-	-	-
Tuition	-	-	-	-	-	-	-	-
Grants:								
Illinois Department of Children and Family Services	-	-	-	-	-	-	-	-
Illinois Department of Human Services	79,765	-	185,103	-	-	-	242,675	292,376
Illinois State Board of Education	-	-	-	232,062	-	-	-	-
Other	-	-	-	-	614,263	471,717	62,770	-
Total revenue by program	\$ 79,765	\$ 164,584	\$ 185,103	\$ 232,062	\$ 614,263	\$ 471,717	\$ 305,445	\$ 292,376

(Continued)

The Children's Home Association of Illinois

Revenue by Program (Continued)
 Year Ended June 30, 2019, with Comparative Totals for 2018

	Community-Based Services (Continued)				Total	
	Teen Reach	Leaders of Tomorrow	Foster Care Flex Funds	Norman Cash Assistance	2019	2018
	Fees, tuition and grants revenue:					
Service fees:						
Illinois Department of Children and Family Services	\$ -	\$ -	\$ 24,264	\$ 216,501	\$ 14,418,723	\$ 12,804,868
Illinois Department of Human Services	-	-	-	-	440,368	572,998
Illinois Department of Juvenile Justice	-	-	-	-	150,012	350,723
School	-	-	-	-	19,249	-
Illinois State Board of Education	-	-	-	-	165,835	157,617
Other	-	-	-	-	1,027,796	1,156,332
Illinois Department of Healthcare and Family Services	-	-	-	-	836,301	790,803
Tuition	-	-	-	-	4,706,796	4,165,877
Grants:						
Illinois Department of Children and Family Services	-	-	-	-	351,766	314,709
Illinois Department of Human Services	249,560	-	-	-	1,070,073	772,806
Illinois State Board of Education	-	-	-	-	232,062	308,242
Other	83,900	35,200	-	-	1,792,988	1,938,901
Total revenue by program	\$ 333,460	\$ 35,200	\$ 24,264	\$ 216,501	\$ 25,211,969	\$ 23,333,876

The Children's Home Association of Illinois

**Expenses by Program after Management and General Allocation to Programs
Year Ended June 30, 2019, with Comparative Totals for 2018**

	Residential and Group Home				
	Challenger/ Freedom Residential	Atlantis Residential	Enterprise Residential	Group Homes	Total
Salaries	\$ 1,836,285	\$ 850,539	\$ 878,636	\$ 788,147	\$ 4,353,607
Employee benefits	254,553	127,276	127,276	124,172	633,277
Payroll taxes and workers' compensation insurance	175,788	83,752	86,164	79,008	424,712
Data processing	37,983	17,998	18,385	16,630	90,996
Contract services and professional fees	31,476	15,252	15,441	14,568	76,737
Activity fees, supplies and postage	49,221	32,176	26,558	25,362	133,317
Food and food service supplies	78,940	39,467	39,467	19,122	176,996
Telephone	17,677	8,376	8,557	7,740	42,350
Occupancy	57,645	28,231	28,461	27,415	141,752
Repairs, maintenance and equipment rental	38,305	19,055	19,093	18,921	95,374
Printing, publications and special events	3,060	1,450	1,481	1,340	7,331
Travel and transportation	34,695	14,650	14,792	16,411	80,548
Conference, conventions and meetings	6,051	2,917	2,959	2,716	14,643
Individual assistance	30,433	14,731	16,323	16,367	77,854
Provision for (recovery of) doubtful accounts	1,742	-	62	1,620	3,424
Miscellaneous	10,843	5,176	5,230	5,060	26,309
Total expenses before depreciation and interest	2,664,697	1,261,046	1,288,885	1,164,599	6,379,227
Depreciation	79,845	38,523	38,687	37,940	194,995
Interest and amortization	1,202	570	582	526	2,880
Total expenses	\$ 2,745,744	\$ 1,300,139	\$ 1,328,154	\$ 1,203,065	\$ 6,577,102

(Continued)

The Children's Home Association of Illinois

Expenses by Program after Management and General Allocation to Programs (Continued)
Year Ended June 30, 2019, with Comparative Totals for 2018

	Educational and Transitional						Therapeutic Foster Care	Traditional Foster Care	Total
	Transitional Living	Transitional Living DD	Independent Living	Kiefer School	Academy for Autism	Total			
Salaries	\$ 476,356	\$ 917,713	\$ 163,018	\$ 2,898,978	\$ 623,280	\$ 5,079,345	\$ 918,020	\$ 811,833	\$ 1,729,853
Employee benefits	102,442	145,902	23,282	403,559	86,920	762,105	139,693	124,172	263,865
Payroll taxes and workers' compensation insurance	52,566	91,691	15,852	281,914	59,447	501,470	91,962	80,262	172,224
Data processing	11,674	18,923	5,317	55,766	12,296	103,976	28,189	25,660	53,849
Contract services and professional fees	21,204	13,996	3,187	89,657	50,841	178,885	614,252	593,437	1,207,689
Activity fees, supplies and postage	16,259	16,717	2,821	84,680	17,687	138,164	33,031	31,736	64,767
Food and food service supplies	29,869	40,391	29,234	139,529	22,509	261,532	1,539	1,064	2,603
Telephone	9,180	10,658	2,531	25,953	5,722	54,044	13,119	11,942	25,061
Occupancy	28,060	31,036	3,729	87,939	12,937	163,701	31,395	28,266	59,661
Repairs, maintenance and equipment rental	27,064	8,565	1,956	57,861	8,397	103,843	21,077	18,795	39,872
Printing, publications and special events	941	1,525	428	4,493	991	8,378	2,271	2,068	4,339
Travel and transportation	18,823	22,444	19,177	7,035	1,422	68,901	99,395	90,897	190,292
Conference, conventions and meetings	2,154	3,555	894	18,901	4,013	29,517	7,328	5,598	12,926
Individual assistance	13,106	19,374	108,369	21	-	140,870	386	960	1,346
Provision for (recovery of) doubtful accounts	1,140	-	-	-	1	1,141	4,508	1,108	5,616
Miscellaneous	3,736	5,696	1,228	16,232	3,536	30,428	9,080	8,555	17,635
Total expenses before depreciation and interest	814,574	1,348,186	381,023	4,172,518	909,999	7,626,300	2,015,245	1,836,353	3,851,598
Depreciation	29,457	18,116	2,878	116,508	11,487	178,446	24,629	17,531	42,160
Interest and amortization	370	599	168	1,765	389	3,291	892	812	1,704
Total expenses	\$ 844,401	\$ 1,366,901	\$ 384,069	\$ 4,290,791	\$ 921,875	\$ 7,808,037	\$ 2,040,766	\$ 1,854,696	\$ 3,895,462

(Continued)

The Children's Home Association of Illinois

Expenses by Program after Management and General Allocation to Programs (Continued)
Year Ended June 30, 2019, with Comparative Totals for 2018

	Community-Based Services							
	Intensive Placement Services	Intact Family Services	Tri-County Adolescent Services	Mental Health Programs	SASS	Substance Use Prevention & Recovery	Juvenile Justice	Family Based Intervention
Salaries	\$ 243,404	\$ 747,227	\$ 397,672	\$ 384,281	\$ 1,055,722	\$ 43,784	\$ 58,198	\$ 140,174
Employee benefits	37,252	108,650	65,190	45,012	186,258	4,656	9,313	18,626
Payroll taxes and workers' compensation insurance	23,582	73,939	39,147	35,065	109,455	4,319	5,518	14,213
Data processing	5,219	18,198	8,711	7,027	23,420	804	1,159	2,782
Contract services and professional fees	6,860	217,781	37,949	3,639	125,476	414	608	3,514
Activity fees, supplies and postage	8,737	6,749	2,874	2,848	13,165	214	1,066	1,036
Food and food service supplies	1,574	774	14	-	386	117	-	-
Telephone	2,429	8,469	4,054	3,270	10,900	374	539	1,295
Occupancy	7,003	22,198	35,745	7,824	101,253	479	5,056	3,604
Repairs, maintenance and equipment rental	5,396	16,029	1,386	751	3,817	79	190	2,715
Printing, publications and special events	421	1,466	702	764	1,887	65	93	224
Travel and transportation	16,592	58,165	25,932	6,810	36,091	1,494	535	9,277
Conference, conventions and meetings	3,118	10,737	3,203	5,180	5,657	469	540	453
Individual assistance	9,541	5,276	-	-	-	225	-	-
Provision for (recovery of) doubtful accounts	6,744	1,922	(317)	-	(18,072)	(1,119)	-	126
Miscellaneous	1,508	4,813	2,581	33,276	7,169	210	357	778
Total expenses before depreciation and interest	379,380	1,302,393	624,843	535,747	1,662,584	56,584	83,172	198,817
Depreciation	4,204	13,529	3,848	3,008	10,370	342	513	2,175
Interest and amortization	165	576	276	222	741	25	37	88
Total expenses	\$ 383,749	\$ 1,316,498	\$ 628,967	\$ 538,977	\$ 1,673,695	\$ 56,951	\$ 83,722	\$ 201,080

(Continued)

The Children's Home Association of Illinois

Expenses by Program after Management and General Allocation to Programs (Continued)
 Year Ended June 30, 2019, with Comparative Totals for 2018

	Community-Based Services (Continued)					
	Coordinated Intake	Early Childhood	Good Beginnings	Family Connect	Homeless Youth	Youth Services
Salaries	\$ 127,761	\$ 154,204	\$ 379,228	\$ 324,112	\$ 157,673	\$ 222,846
Employee benefits	31,043	31,043	70,157	47,185	34,147	34,147
Payroll taxes and workers' compensation insurance	14,458	17,066	40,315	33,765	17,621	22,307
Data processing	2,936	3,447	8,134	6,974	4,257	4,805
Contract services and professional fees	2,747	3,089	9,332	12,417	40,367	10,231
Activity fees, supplies and postage	8,221	11,735	15,330	41,413	2,095	3,620
Food and food service supplies	116	2,223	3,685	-	1,241	2,112
Telephone	1,367	1,604	3,785	3,246	1,981	2,236
Occupancy	8,504	8,808	20,112	9,087	6,105	6,432
Repairs, maintenance and equipment rental	1,604	(498)	4,297	6,870	4,894	4,948
Printing, publications and special events	237	278	655	562	343	387
Travel and transportation	8,802	5,314	23,957	9,500	5,422	12,867
Conference, conventions and meetings	1,917	7,950	2,231	961	718	693
Individual assistance	-	-	-	-	25,542	14,092
Provision for (recovery of) doubtful accounts	-	-	-	-	-	-
Miscellaneous	1,061	1,131	2,606	1,961	1,309	1,386
Total expenses before depreciation and interest	210,774	247,394	583,824	498,053	303,715	343,109
Depreciation	1,250	1,467	3,462	5,480	3,629	3,863
Interest and amortization	93	109	257	221	135	152
Total expenses	\$ 212,117	\$ 248,970	\$ 587,543	\$ 503,754	\$ 307,479	\$ 347,124

(Continued)

The Children's Home Association of Illinois

Expenses by Program after Management and General Allocation to Programs (Continued)
Year Ended June 30, 2019, with Comparative Totals for 2018

	Community-Based Services (Continued)					Supporting Services	Totals	
	Teen Reach	Leaders of Tomorrow	Foster Care Flex Funds	Norman Cash Assistance	Total	Fundraising	2019	2018
Salaries	\$ 105,058	\$ 18,194	\$ 2,631	\$ -	\$ 4,562,169	\$ 191,975	\$ 15,916,949	\$ 15,350,125
Employee benefits	21,730	3,104	-	-	747,513	-	2,406,760	2,516,467
Payroll taxes and workers' compensation insurance	11,880	1,915	173	-	464,738	12,623	1,575,767	1,303,955
Data processing	1,969	692	336	-	100,870	-	349,691	335,483
Contract services and professional fees	177,227	697	165	-	652,513	11,954	2,127,778	1,833,150
Activity fees, supplies and postage	4,917	3,916	76	-	128,012	16,269	480,529	567,047
Food and food service supplies	862	2,367	-	-	15,471	-	456,602	432,420
Telephone	916	322	156	-	46,943	-	168,398	113,061
Occupancy	2,146	737	200	-	245,293	-	610,407	598,894
Repairs, maintenance and equipment rental	1,414	475	33	-	54,400	-	293,489	325,559
Printing, publications and special events	159	56	27	-	8,326	400,977	429,351	352,446
Travel and transportation	3,456	648	29	-	224,891	721	565,353	565,240
Conference, conventions and meetings	573	84	37	-	44,521	380	101,987	102,599
Individual assistance	-	16,116	20,221	195,633	286,646	-	506,716	431,141
Provision for (recovery of) doubtful accounts	-	-	-	1,306	(9,410)	-	771	32,087
Miscellaneous	730	161	47	-	61,084	95	135,551	85,183
Total expenses before depreciation and interest	333,037	49,484	24,131	196,939	7,633,980	634,994	26,126,099	24,944,857
Depreciation	1,334	460	143	-	59,077	-	474,678	486,793
Interest and amortization	62	22	11	-	3,192	-	11,067	15,524
Total expenses	\$ 334,433	\$ 49,966	\$ 24,285	\$ 196,939	\$ 7,696,249	\$ 634,994	\$ 26,611,844	\$ 25,447,174

**The Children's Home Association of Illinois,
Children's Home Foundation and Youth Farm, Inc.**

**Substitute Care Units of Service (Unaudited)
Year Ended June 30, 2019**

	Residential	Group Homes	Supervised Transitional & Independent Living ⁽¹⁾	Traditional, Specialized & Therapeutic Foster Care ⁽¹⁾	Total
Units of service licensed by the Department of Children and Family Services	16,425	3,650	N/A	N/A	N/A
Units of service provided:					
Department of Children and Family Services	13,043	3,583	12,060	61,801	90,487
Other	1,151	-	492	-	1,643
	14,194	3,583	12,552	61,801	92,130

(1) Units of service licensed are not limited.