

HCS FAMILY SERVICES

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

Years Ended June 30, 2021 and 2020



Wieland Wallace Inc
Certified Public Accountants

HCS FAMILY SERVICES

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Independent Auditor's Report

To the Board of Directors
HCS Family Services

Opinion

We have audited the accompanying financial statements of HCS Family Services (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HCS Family Services as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HCS Family Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HCS Family Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HCS Family Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Wieland Wallace Inc.

Batavia, Illinois
May 3, 2022

HCS FAMILY SERVICES
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u> (As Restated)
<u>CURRENT ASSETS</u>		
Cash	\$ 865,878	\$ 730,852
Unconditional promises to give		
Without donor restrictions	13,520	2,500
With donor restrictions	38,396	13,396
Food inventory	58,700	41,800
Prepaid expenses	4,599	2,099
	<u>981,093</u>	<u>790,647</u>
<u>TOTAL CURRENT ASSETS</u>		
<u>FIXED ASSETS</u>		
Furniture and equipment	122,794	99,262
Vehicles	55,778	30,124
Leasehold improvements	6,631	6,631
	<u>185,203</u>	<u>136,017</u>
Total	185,203	136,017
Less accumulated depreciation and amortization	124,001	105,033
	<u>61,202</u>	<u>30,984</u>
<u>NET FIXED ASSETS</u>		
	<u>1,042,295</u>	<u>821,631</u>
<u>TOTAL ASSETS</u> \$		
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
PPP loan payable	\$ —	\$ 43,368
	<u>—</u>	<u>43,368</u>
<u>TOTAL LIABILITIES</u>		
<u>NET ASSETS</u>		
Without donor restrictions	1,003,899	739,867
With donor restrictions	38,396	38,396
	<u>1,042,295</u>	<u>778,263</u>
<u>TOTAL NET ASSETS</u>		
<u>TOTAL LIABILITIES AND NET ASSETS</u> \$		
	<u>1,042,295</u>	<u>821,631</u>

HCS FAMILY SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2021			Year Ended June 30, 2020 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	2021 Totals	Without Donor Restrictions	With Donor Restrictions	2020 Totals
	SUPPORT AND REVENUES					
In-kind donations	\$ 1,102,012	\$ 13,396	\$ 1,115,408	\$ 809,279	\$ 13,396	\$ 822,675
Grants	180,945	25,000	205,945	200,907	25,000	225,907
Contributions	459,460	-	459,460	467,954	-	467,954
PPP loan forgiveness	43,368	-	43,368	-	-	-
Special events (net of expenses of \$11,639)	-	-	-	29,929	-	29,929
Interest	2,486	-	2,486	6,422	-	6,422
Net assets released from restrictions	38,396	(38,396)	-	36,407	(36,407)	-
TOTAL SUPPORT AND REVENUES	1,826,667	-	1,826,667	1,550,898	1,989	1,552,887
EXPENSES						
Program services	1,444,428	-	1,444,428	1,146,202	-	1,146,202
Management and general	48,313	-	48,313	33,413	-	33,413
Fundraising	69,894	-	69,894	60,354	-	60,354
TOTAL EXPENSES	1,562,635	-	1,562,635	1,239,969	-	1,239,969
INCREASE IN NET ASSETS	264,032	-	264,032	352,729	1,989	312,918
NET ASSETS, BEGINNING OF YEAR	739,867	38,396	736,463	387,138	36,407	423,545
NET ASSETS, END OF YEAR	\$ 1,003,899	\$ 38,396	\$ 1,000,495	\$ 739,867	\$ 38,396	\$ 736,463

HCS FAMILY SERVICES
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2021				Year Ended June 30, 2020 (As Restated)			
	Program Services	Management and General	Fundraising	2021 Total	Program Services	Management and General	Fundraising	2020 Total
Accounting and auditing	\$ 13,859	\$ 1,223	\$ 1,223	\$ 16,305	\$ 13,940	\$ 1,230	\$ 1,230	\$ 16,400
Advertising	-	275	824	1,099	-	349	1,048	1,397
Direct client assistance	1,059,896	-	-	1,059,896	846,187	-	-	846,187
Bank fees	-	-	3,008	3,008	-	-	2,760	2,760
Consulting								
Information technology	7,745	683	684	9,112	-	-	-	-
Management	8,500	750	750	10,000	-	-	-	-
Contract services	27,942	5,588	3,726	37,256	2,590	5,702	4,668	12,960
Covid related expenses	-	8,211	-	8,211	-	-	-	-
Depreciation	16,404	1,282	1,282	18,968	13,910	1,087	1,087	16,084
Facilities and occupancy	89,006	3,870	3,870	96,746	89,943	3,911	3,910	97,764
Equipment repair and maintenance	7,597	844	-	8,441	4,333	429	-	4,762
Insurance	10,775	2,694	-	13,469	8,660	2,165	-	10,825
Memberships and subscriptions	355	39	-	394	964	107	-	1,071
Miscellaneous	487	486	-	973	340	349	-	689
Personnel								
Salaries and wages	150,768	16,752	41,880	209,400	130,463	14,496	36,239	181,198
Payroll fees	1,364	152	379	1,895	2,372	264	659	3,295
Taxes and benefits	22,702	2,522	6,307	31,531	21,437	2,382	5,955	29,774
Postage	-	166	332	498	-	-	442	442
Printing and copying	4,376	486	1,216	6,078	2,587	287	719	3,593
Supplies	9,913	875	874	11,662	2,581	-	-	2,581
Telephone and internet	12,739	1,415	3,539	17,693	4,019	447	1,116	5,582
Travel	-	-	-	-	1,876	208	521	2,605
TOTAL EXPENSES	\$ 1,444,428	\$ 48,313	\$ 69,894	\$ 1,562,635	\$ 1,146,202	\$ 33,413	\$ 60,354	\$ 1,239,969

HCS FAMILY SERVICES
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2021	2020
		(As Restated)
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 264,032	\$ 312,918
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	18,968	16,084
PPP loan forgiveness	(43,368)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	(36,020)	(2,000)
Food inventory	(16,900)	-
Prepaid expenses	(2,500)	2,762
Accounts payable	-	(2,781)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	184,212	326,983
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments for the purchase of fixed assets	(49,186)	(6,783)
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	(49,186)	(6,783)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from SBA Economic Disaster Loan	-	43,368
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>	-	43,368
<u>NET INCREASE IN CASH</u>	135,026	363,568
<u>CASH AT BEGINNING OF YEAR</u>	730,852	367,284
<u>CASH AT END OF YEAR</u>	\$ 865,878	\$ 730,852
<u>NONCASH OPERATING ACTIVITIES</u>		
Donated goods	\$ 1,019,134	\$ 726,401
Donated facilities	96,274	96,274
<u>TOTAL NONCASH OPERATING ACTIVITIES</u>	\$ 1,115,408	\$ 822,675

HCS FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - NATURE OF ACTIVITIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

PROMISES TO GIVE AND REVENUE RECOGNITION

Grants, gifts and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Amounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible promises using the allowance method. However, no allowance was determined to be warranted at June 30, 2021 and 2020 as all promises to give are expected to be realized.

IN-KIND CONTRIBUTIONS OF GOODS AND SERVICES

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

USE OF ESTIMATES

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

MANAGEMENT REVIEW

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

HCS FAMILY SERVICES

Notes to Financial Statements (Continued)

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2021 and 2020, there were no cash equivalents. The Organization maintains its cash and cash equivalents in two financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

FOOD INVENTORY

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

PROPERTY AND EQUIPMENT

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

Purchased property and equipment are recorded at acquisition cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

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

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$18,968 and \$16,084.

COST ALLOCATION

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

INCOME TAXES

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

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of June 30, 2021, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

HCS FAMILY SERVICES

Notes to Financial Statements (Continued)

NOTE 3 - IN-KIND DONATIONS

Food

During the years ended June 30, 2021 and 2020, respectively, the Organization collected and distributed over 569,000 and 417,000 pounds of food to individuals and families it serves. For financial reporting purposes, food donations were valued at an estimated fair value per pound of \$1.79 and \$1.74 during the years ended June 30, 2021 and 2020, respectively, in accordance with data provided by Northern Illinois Food Bank. The total donations reported were \$1,019,134 and \$726,401 during the years ended June 30, 2021 and 2020, respectively.

Facilities

The Organization operates in two facilities. The Village of Hinsdale provides a 2,500 square foot facility at no charge which is valued at \$69,481 for financial reporting purposes. Anne M. Jeans Elementary School provides 1,000 square feet of space valued at \$27,793 annually for which the Organization is charged \$1,000 (see Note 6). The total value of donated facilities for each of the years ended June 30, 2021 and 2020 is \$96,274. This amount is recorded as an in-kind contribution and corresponding occupancy expense.

Volunteers

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

NOTE 4 - PROMISES TO GIVE

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

	<u>2021</u>	<u>2020</u>
Promises without donor restrictions	\$ 13,520	\$ 2,500
Time restriction – in-kind facilities for next operating period	13,396	13,396
Anne M. Jeans Elementary School Pantry – Strategic Outreach Initiative Program	<u>25,000</u>	<u>-</u>
	<u>\$ 51,916</u>	<u>\$ 15,896</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Vehicle purchase	\$ -	\$ 25,000
Time restriction – in-kind facilities for next operating period	13,396	13,396
Anne M. Jeans Elementary School Pantry – Strategic Outreach Initiative Program	<u>25,000</u>	<u>-</u>
	<u>\$ 38,396</u>	<u>\$ 38,396</u>

HCS FAMILY SERVICES

Notes to Financial Statements (Continued)

NOTE 6 - COMMITMENTS

The Organization leases a pantry under a 20-year operating lease that commenced in February 2018. Yearly rent under this lease is \$1,000. The lease can be terminated by either party with six months' prior written notice. Future minimum rental payments under the lease are as follows at June 30, 2020:

Year Ending June 30:		
2022	\$	1,000
2023		1,000
2024		1,000
2025-2029		5,000
2030-2034		5,000
2035-2038		3,000
Total	\$	<u>16,000</u>

NOTE 7 - LINE OF CREDIT

The Organization presently has a line of credit with Hinsdale Bank which permits maximum borrowings of \$350,000. The Organizations had no outstanding line of credit balances at June 30, 2021 and 2020.

NOTE 8 - SMALL BUSINESS ADMINISTRATION ECONOMIC DISASTER LOANS

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

NOTE 9 - RESTATEMENT

The financial statements for the year ended June 30, 2020, have been restated from those previously issued by the Organization. The restatement was to record food inventory on hand computed to be \$41,800 at each June 30 2020 and 2019. The effect of the restatement was to increase food inventory and net assets with no donor restrictions by \$41,800 at June 30, 2020.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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

	2021	2020
Cash	\$ 865,878	\$ 730,852
Unconditional promises to give	<u>51,916</u>	<u>15,896</u>
Total financial assets	917,794	746,748
Less those unavailable for general expenditures within in one year, due to:		
Donor time restrictions for use of facilities	(13,396)	(13,396)
Donor restricted for program or asset purchase expenditures	<u>(25,000)</u>	<u>(25,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>879,398</u>	\$ <u>708,352</u>