

**CARITAS FAMILY SOLUTIONS
AND AFFILIATES**

Consolidated Financial Statements
with
Independent Auditor's Report

JUNE 30, 2020 AND 2019



THE FIRM FOR GROWTH.®

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THE FIRM FOR GROWTH.®

Independent Auditor's Report

To the Board of Directors of
Caritas Family Solutions

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Caritas Family Solutions, a not for profit organization, and Affiliates (collectively, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, as described in the table of contents, on pages 28 - 31 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying State of Illinois Consolidated Financial Report – 2020 and the Illinois Grant Accountability and Transparency Act Consolidated Year End Financial Report - 2020, as required by the State of Illinois are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 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 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 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.

Emphasis of Matter

In March 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." As discussed in Note O to the consolidated financial statements, given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Brown Smith Wallace, LLP

St. Louis, Missouri
December 7, 2020

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(See Independent Auditor's Report)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,292,405	\$ 1,116,865
Accounts receivable, net	3,399,692	2,724,220
Pledges receivable	-	5,000
Certificate of deposit	126,772	123,762
Investments, at fair value	1,039,732	833,951
Prepaid expenses	299,398	276,951
Note receivable	-	50,000
Total Current Assets	10,157,999	5,130,749
Reserves and Client Deposits	154,819	145,640
Property and Equipment, net	8,925,045	8,672,741
TOTAL ASSETS	\$ 19,237,863	\$ 13,949,130
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of notes payable	\$ 339,677	\$ 1,152,754
Current maturities of Paycheck Protection Program loan	2,412,781	-
Current maturities of capital leases	185,205	72,636
Accounts payable	857,030	640,696
Accrued salaries and related expenses	2,801,344	1,902,358
Other accrued liabilities	157,215	177,825
Deferred revenue	251,584	-
Total Current Liabilities	7,004,836	3,946,269
Long-Term Liabilities		
Notes payable, less current maturities	5,275,580	4,663,468
Paycheck Protection Program loan, less current maturities	602,419	-
Capital leases, less current maturities	510,322	269,008
Total Long-Term Liabilities	6,388,321	4,932,476
Total Liabilities	13,393,157	8,878,745
Net Assets		
Without restrictions		
Undesignated	5,802,245	5,012,217
With restrictions	42,461	58,168
Total Net Assets	5,844,706	5,070,385
TOTAL LIABILITIES AND NET ASSETS	\$ 19,237,863	\$ 13,949,130

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statements of Activities

Years ended June 30, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue:		
Grant and contract revenue	\$ 29,607,273	\$ 23,800,594
Program service fees	715,025	870,413
Contributions	1,192,292	980,131
Special event revenue, net of \$27,733 and \$46,238 expense, respectively	83,778	107,006
Rental income	360,645	368,949
Miscellaneous income	120,247	15,194
Investment income	59,046	82,208
Gain on sale of property and equipment	36,565	38,267
Net assets released from restrictions	100,629	55,196
Total Support and Revenue	32,275,500	26,317,958
Expenses:		
Operating expenses		
Program services		
Foster care	19,580,416	15,572,302
SJBCC Residential	4,500,216	3,684,007
CILA	1,454,619	1,002,439
Senior employment	901,665	1,042,654
Intact Family	266,344	54,560
Adoption, counseling and other	382,689	499,887
Fox River	738,060	681,803
Management and general	3,068,275	2,741,272
Fundraising	497,620	396,861
Total operating expenses	31,389,904	25,675,785
Non-operating expenses		
Rental expense	95,568	113,061
Total Expenses	31,485,472	25,788,846
Excess assets over liabilities and consideration paid at acquisition	-	663,574
Change in Net Assets Without Donor Restrictions	790,028	1,192,686
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	84,922	53,168
Net assets released from restrictions	(100,629)	(55,196)
Change in Net Assets With Donor Restrictions	(15,707)	(2,028)
CHANGE IN NET ASSETS	774,321	1,190,658
Net Assets, Beginning of Year	5,070,385	3,879,727
Net Assets, End of Year	\$ 5,844,706	\$ 5,070,385

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2020

(See Independent Auditor's Report)

	Program Services							Supporting Services			
	Foster Care	SJBCC Residential	CILA	Senior Employment	Intact Family	Adoption, Counseling and Other	Fox River	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries	\$ 9,917,615	\$ 2,973,409	\$ 938,235	\$ 610,624	\$ 200,294	\$ 229,351	\$ 308,525	\$ 15,178,053	\$ 1,862,597	\$ 281,711	\$ 17,322,361
Fringe benefits and payroll taxes	1,789,851	525,246	130,627	75,586	28,007	33,779	40,290	2,623,386	355,424	54,807	3,033,617
Total salaries and related expenses	11,707,466	3,498,655	1,068,862	686,210	228,301	263,130	348,815	17,801,439	2,218,021	336,518	20,355,978
Program service payments	5,249,242	116,102	9,001	19,755	14,779	1,606	370	5,410,855	-	-	5,410,855
Education and training	78,301	29,031	7,287	2,865	624	1,613	1,353	121,074	43,181	4,197	168,452
Occupancy	265,972	116,012	77,214	1,787	1,936	13,119	115,823	591,863	131,588	1,900	725,351
Professional fees	336,276	53,838	21,725	5,929	1,140	20,044	17,844	456,796	172,634	19,600	649,030
Bad debt	416	5,000	22,834	-	-	18,348	6,817	53,415	10,387	-	63,802
Travel and transportation	496,973	25,480	13,111	6,153	10,805	7,207	1,643	561,372	14,478	893	576,743
Office supplies	109,381	231,235	61,399	1,950	796	3,289	80,491	488,541	55,092	1,576	545,209
Miscellaneous	90,813	30,247	32,426	170,321	743	13,816	4,335	342,701	29,696	108,366	480,763
Small equipment	210,921	94,498	9,476	574	1,095	4,030	3,637	324,231	80,501	7,544	412,276
Communications	183,371	19,161	14,673	1,181	2,857	5,445	1,602	228,290	37,537	3,174	269,001
Printing and publications	7,468	243	-	9	18	33	468	8,239	8,557	4,850	21,646
Equipment rental and maintenance	97,488	25,286	5,724	2,467	791	10,050	21,261	163,067	73,359	2,648	239,074
Postage and shipping	23,244	293	18	-	2	190	417	24,164	17,233	1,975	43,372
Insurance	180,742	35,402	22,170	619	547	3,949	18,581	262,010	29,127	-	291,137
Membership dues and subscriptions	13,402	701	7,410	-	-	27	905	22,445	11,207	469	34,121
Interest	103,850	47,832	28,341	1,000	-	2,367	10,568	193,958	73,737	1,471	269,166
Special events	-	-	-	-	-	-	-	-	-	27,733	27,733
Depreciation	425,090	171,200	52,948	845	1,910	14,426	103,130	769,549	157,508	2,439	929,496
Subtotal	19,580,416	4,500,216	1,454,619	901,665	266,344	382,689	738,060	27,824,009	3,163,843	525,353	31,513,205
Rental expense	-	-	-	-	-	-	-	-	(95,568)	-	(95,568)
Less special events direct benefit to donors	-	-	-	-	-	-	-	-	-	(27,733)	(27,733)
Total Expenses	\$ 19,580,416	\$ 4,500,216	\$ 1,454,619	\$ 901,665	\$ 266,344	\$ 382,689	\$ 738,060	\$ 27,824,009	\$ 3,068,275	\$ 497,620	\$ 31,389,904

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2019

(See Independent Auditor's Report)

	Program Services							Supporting Services			
	Foster Care	SJBCC Residential	CILA	Senior Employment	Intact Family	Adoption, Counseling and Other	Fox River	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries	\$ 7,317,349	\$ 2,438,266	\$ 629,051	\$ 660,123	\$ 45,709	\$ 297,953	\$ 273,660	\$ 11,662,111	\$ 1,615,841	\$ 238,405	\$ 13,516,357
Fringe benefits and payroll taxes	1,440,062	472,580	85,841	81,925	3,649	44,117	35,069	2,163,243	347,843	33,141	2,544,227
Total salaries and related expenses	8,757,411	2,910,846	714,892	742,048	49,358	342,070	308,729	13,825,354	1,963,684	271,546	16,060,584
Program service payments	4,370,126	92,522	4,600	-	373	6,954	216	4,474,791	-	-	4,474,791
Education and training	69,679	9,304	6,675	4,595	-	1,685	1,266	93,204	34,583	4,544	132,331
Awards and recognition	-	-	-	1,472	-	-	-	1,472	118	-	1,590
Occupancy	351,591	102,399	64,382	1,364	371	15,760	123,950	659,817	156,843	2,750	819,410
Professional fees	265,007	26,665	11,154	1,189	362	48,846	3,505	356,728	127,034	2,124	485,886
Bad debt	-	-	4,037	-	-	6,000	-	10,037	-	-	10,037
Travel and transportation	527,319	37,975	11,599	13,976	1,231	8,914	1,773	602,787	17,827	3,784	624,398
Office supplies	82,960	172,106	49,741	958	321	2,823	78,366	387,275	38,595	1,994	427,864
Miscellaneous	85,901	6,960	39,450	258,208	10	13,093	304	403,926	48,772	78,795	531,493
Small equipment	222,147	46,238	5,981	1,310	286	5,259	2,449	283,670	76,827	8,088	368,585
Communications	147,082	11,736	7,619	1,254	634	8,443	5,231	181,999	30,168	2,613	214,780
Conference and seminars	-	-	-	8,340	1,216	238	-	9,794	-	-	9,794
Printing and publications	14,311	179	66	1,690	59	2,233	601	19,139	21,392	11,519	52,050
Equipment rental and maintenance	67,287	22,601	4,640	2,134	290	6,439	19,468	122,859	79,486	1,909	204,254
Postage and shipping	14,513	466	20	-	-	340	338	15,677	15,315	4,296	35,288
Insurance	161,906	28,787	18,966	2,144	49	7,618	19,314	238,784	23,019	-	261,803
Membership dues and subscriptions	8,321	531	51	1	-	39	514	9,457	10,419	455	20,331
Interest	81,957	44,508	19,184	998	-	3,273	12,853	162,773	65,555	822	229,150
Special events	-	-	-	-	-	-	-	-	-	46,238	46,238
Depreciation	344,784	170,184	39,382	973	-	19,860	102,926	678,109	144,696	1,622	824,427
Subtotal	15,572,302	3,684,007	1,002,439	1,042,654	54,560	499,887	681,803	22,537,652	2,854,333	443,099	25,835,084
Rental expense	-	-	-	-	-	-	-	-	(113,061)	-	(113,061)
Less special events direct benefit to donors	-	-	-	-	-	-	-	-	-	(46,238)	(46,238)
Total Expenses	\$ 15,572,302	\$ 3,684,007	\$ 1,002,439	\$ 1,042,654	\$ 54,560	\$ 499,887	\$ 681,803	\$ 22,537,652	\$ 2,741,272	\$ 396,861	\$ 25,675,785

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	\$ 774,321	\$ 1,190,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash excess assets acquired over liabilities and consideration paid	-	(663,574)
Depreciation	929,496	824,427
Unrealized gain on investments	(43,022)	(52,268)
Gain on sale of property and equipment	(36,565)	(38,267)
Change in assets and liabilities:		
Accounts receivable	(675,472)	(583,631)
Allowance for doubtful accounts	-	-
Pledges receivable	5,000	10,000
Prepaid expenses	(22,447)	(21,062)
Accounts payable	216,334	(30,196)
Accrued salaries and related expenses	898,986	613,570
Accrued payroll taxes	-	-
Other accrued liabilities	(20,610)	67,249
Deferred revenue	251,584	-
Net Cash Provided by Operating Activities	2,277,605	1,316,906
Cash Flows from Investing Activities:		
Purchases of investments	(1,153,480)	(48,979)
Reinvested interest	(3,010)	(2,921)
Proceeds from sale of investments	990,721	-
Proceeds from sale of property and equipment	-	5,816
Payments received on notes receivable	50,000	50,000
Cash received in acquisition	-	49,753
Deposits to reserves and client deposits	(18,594)	(24,299)
Withdrawals from reserves and client deposits	9,415	31,759
Purchases of property and equipment	(661,837)	(521,275)
Net Cash Used in Investing Activities	(786,785)	(460,146)
Cash Flows from Financing Activities:		
Proceeds from notes payable	613,303	327,832
Proceeds from Paycheck Protection Program Loan	3,015,200	-
Payments on notes payable	(814,268)	(463,120)
Payments on capital lease	(129,515)	(24,753)
Net Cash Provided by (Used in) Financing activities	2,684,720	(160,041)
Net Increase in Cash and Cash Equivalents	4,175,540	696,719
Cash - Beginning of Year	1,116,865	420,146
Cash - End of Year	\$ 5,292,405	\$ 1,116,865

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidated Statements of Cash Flows - Continued

Years ended June 30, 2020 and 2019

(See Independent Auditor's Report)

	<u>2020</u>	<u>2019</u>
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activities:		
Cost of property and equipment acquired under:		
Notes payable agreements	<u>\$ 120,000</u>	<u>\$ 829,871</u>
Capital leases	<u>\$ 483,398</u>	<u>\$ 340,524</u>
Non-cash activities related to business acquisitions:		
Property and equipment	<u>\$ -</u>	<u>\$ 513,821</u>
Notes receivable	<u>\$ -</u>	<u>\$ 100,000</u>
Cash paid for interest	<u>\$ 269,166</u>	<u>\$ 229,150</u>

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020
(See Independent Auditor’s Report)

Note A – Nature of Activities

Organization

Caritas Family Solutions, formerly known as Christian Social Services of Illinois (“Caritas” or “Organization”), is a not-for-profit, licensed by the State of Illinois, child welfare and family service agency located in Belleville, Illinois. The Organization provides services to nurture the growth of children, strengthen family life, and improve community life.

Concentration

Caritas’ major programs are dependent upon funds received from the Illinois Department of Children & Family Services (“DCFS”). The DCFS accounted for approximately 87% and 83% of the Organization’s total support and revenue for the years ended June 30, 2020 and 2019, respectively. A significant reduction in these funds would have a material effect on the Organization’s financial position. The DCFS made up approximately 88% and 81% of the Organization’s gross accounts receivable as of June 30, 2020 and 2019, respectively.

During 2020 and 2019, the Organization had less than \$750,000 of expenditures of federal awards (including both direct and indirect sources) under its grants and contracts from federal and state agencies. Funds received from DCFS are considered vendor payments and do not meet the criteria for the definition of sub-recipient of federal dollars.

Note B – Acquisition

On July 1, 2018, Caritas and Fontabella Maternity Home NFP (Fontabella) entered into an Affiliation Agreement to combine their common missions. Subsequent to the transaction, the separate existence of Fontabella ceased, and all of Fontabella’s assets and liabilities were transferred to Caritas, the surviving organization. No consideration was transferred by Caritas to Fontabella as part of this transaction.

Under FASB ASC 958-805, this transaction qualifies as an acquisition of one not-for-profit (Fontabella) by another (Caritas). The assets acquired and liabilities assumed by Caritas from Fontabella are recorded at fair value. An inherent contribution is recognized for the excess of assets acquired over liabilities assumed and consideration paid on the consolidated statements of activities.

The value of the Fontabella assets acquired and liabilities assumed as of July 1, 2018, are listed below:

Assets Acquired:	
Cash	\$ 49,753
Note receivable	100,000
Property and equipment	<u>513,821</u>
Excess Fontabella assets over liabilities and consideration paid at acquisition	\$ <u>663,574</u>

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

These consolidated financial statements included the accounts of Caritas Family Solutions and its affiliates, Fox River, L.P. and Southeast Illinois Residential Organization. All significant intercompany investments, transactions and account balances have been eliminated in the consolidation.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

Net Asset Classifications

The consolidated financial statements are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classifying beginning net assets and current year transactions into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources the Board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Net assets received with donor stipulations that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When stipulated time restrictions expire or purpose restrictions are met, these net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity with use of income for general operations or donor-restricted purposes.

Change in Accounting Standards

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. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to the Organization on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted under the modified prospective approach in fiscal year 2020. No restatement of prior amounts was recognized in the fiscal year 2020 financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Change in Accounting Standards (Continued)

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, permitting private entities that have not yet issued their financial statements as of June 3, 2020, to defer the adoption of ASU 2014-09, Revenue from Contracts with Customers for annual reporting periods beginning after December 15, 2019. The Organization has chosen to adopt and implement ASU 2020-05 for the year ended June 30, 2020 permitting deferral of adoption of ASU 2014-09, Revenue from Contracts with Customers.

Reclassifications

Certain amounts on the 2019 consolidated financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2020 consolidated financial statements. Total change in net assets is unchanged due to these reclassifications.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization's cash is on deposit at several major domestic financial institutions. At times, bank deposits may be in excess of federally insured limits; however, management believes the Organization is not exposed to significant risk at their banking institutions.

Certificates of Deposit

The Organization holds certificates of deposits at financial institutions which are recorded at cost which approximates their fair value.

Accounts Receivable

Accounts receivable are uncollateralized amounts from various consumers and third-party payers due under normal trade terms generally requiring payment within 30 days of the invoice date. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management is of the opinion that no allowance for uncollectible accounts receivable was necessary at June 30, 2020 or 2019.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period the pledges are made. Pledges receivable are considered conditional when a measurable barrier and right of return or release exists. The conditional pledges receivable become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. At June 30, 2020 and 2019, the Organization did not have any conditional pledges receivable. Unconditional pledges are reported at the amount management expects to collect on balances outstanding at year end.

Investments

The Organization carries investments in cash equivalents, mutual funds, and pooled separate accounts with readily determinable fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment purchased by the Organization are valued at cost. Donated items are recorded at fair market value at the date of donation. Depreciation is computed using straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation on property and equipment are:

<u>Classification</u>	<u>Years</u>
Land improvements	5-10
Buildings	20-30
Fixed equipment	10-20
Leasehold improvements	3-15
Furniture and equipment	3-10
Software and systems	3-5
Vehicles	4

All acquisitions of property and equipment in excess of \$2,500 are capitalized. Expenditures for repairs, maintenance and renewals are expensed when incurred.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization evaluates whether events and circumstances have occurred that indicated the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended June 30, 2020 and 2019.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization reports contributions with donor restrictions as support without donor restrictions in the current year when the Organization meets the donor restrictions in the same period.

The Organization recognizes contribution revenue for certain services received at the fair value of those services. Donated services recognized included supervision of Senior Employment employees. This revenue is reported as contributions in the consolidated statements of activities and totaled \$169,688 and \$257,421 in 2020 and 2019, respectively. The corresponding expense is reported in miscellaneous expenses on the consolidated statements of functional expenses.

Excess Revenue Contingency – DCFS

Contract and program revenue billed to DCFS is subject to excess revenue determination. Excess revenue is defined as the amount of service fees and governmental grant funding in excess of total allowable and allocable program costs. Each fiscal year, provider agencies, such as Caritas, may retain an amount of program excess revenue subject to certain contractual limits as defined by DCFS. All identified program excess revenue amounts retained by providers must be invested in direct service activities in programs funded by DCFS. Provider agencies unable to demonstrate that retained program excess revenue amounts have been invested appropriately will be subject to forfeiture of the retained funds. In 2018, DCFS completed a review of the financial statements of Caritas for the years ended June 30, 2012 through 2017. The review identified that DCFS funding exceeded allowable costs in those periods. Caritas was required to design a spending plan for \$455,585 of excess revenue to be reinvested in direct service (non-administrative) activities in programs funded by DCFS in order not to be subject to forfeiture of retained funds. The retained funds were reinvested within 12 months of DCFS acceptance of the spending plan. The Organization implemented and executed the spending plan, which was approved and settled by DCFS, as of June 30, 2020 for the \$455,585 of excess revenue for the years ended June 30, 2012 through 2017.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Excess Revenue Contingency – DCFS (Continued)

Management has assessed and expects excess revenue amounts for the fiscal years 2018, 2019, 2020. Management anticipates a spending plan for capital projects to be submitted and approved by DCFS for these excess revenue amounts. At June 30, 2020, DCFS has not provided an estimate of the excess revenue contingency for the fiscal years 2018, 2019, and 2020. Management does not expect to be subject to forfeiture of funds, therefore no liability has been recorded as of June 30, 2020 and 2019.

Paycheck Protection Program Loan

The Small Business Administration Paycheck Protection Program (“PPP”) loan obtained by the Organization is presented as a liability until forgiven or paid back. If any part of the loan is forgiven and legal release is received, the Organization will reduce the liability by the amounts forgiven and record a gain on extinguishment in the consolidated statements of activities.

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Program Services

Foster Care – The program provides two types of out-of-home care, including traditional foster care and specialized foster care for children with special emotional, behavioral, or medical needs.

St. John Bosco Children’s Center (“SJBCC”) – This program provides residential treatment services to children ages 5-13. Children are placed at SJBCC when they have been the victims of serious abuse and/or neglect or when they have an emotional condition that is too severe for them to succeed at home. At the SJBCC, the children receive individual, group and family therapy, as needed, so that they can become part of a loving family.

Community Integrated Living Arrangements (“CILA”) – The Organization provides a living arrangement for adults (age 18 or older) in a group home, family home, or apartment where 4 or fewer unrelated adults with developmental disabilities live under the supervision of the community developmental services agency.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Program Services (Continued)

Senior Community Service Employment Program (SCSEP) – The Senior Employment Program provides low-income persons, age 55 and over, the opportunity to prepare for and return to the labor force. Qualified seniors receive employment preparation, job search assistance, and a paid public service assignment that provides on-the-job training.

Intact Family – Ensuring the safety and well-being of children in their own home helps to prevent them from entering foster care and keeps the family intact. Families referred by the Illinois Department of Child and Family Services are provided with assistance to assess their strengths and needs, set goals, identify resources, learn new skills and change behaviors that put their children at risk.

Counseling – Professional counselors provide confidential counseling services to individuals, couples, families and groups.

Adoption – The Organization promotes open adoption and works to match waiting families with birthparents who choose to make an adoption plan for their child.

Fontabella – Fontabella Maternity Home empowers homeless young women facing an unplanned pregnancy by providing them a safe place to live and the resources and support to become independent women and great moms.

Fox River – This 30-unit apartment community provides meals, housekeeping, social services and other daily assistance to the elderly 60 years of age and older. Low to moderate-income people within this community receive this assistance through a contract with the Illinois Department of Aging.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board; and manage the financial and budgetary responsibilities of the Organization.

Fundraising – Provides the structure necessary to encourage and secure private financial support from the individuals, corporations, and foundations in the form of gifts, as well as through fundraising events.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note C – Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The Organization allocates expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are attributable to several functions: therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated on the basis of estimates of time and effort for specific programs and locations include salaries, fringe benefits, and payroll taxes. Other expenses are allocated on a square footage basis or by headcount for specific programs and locations.

Income Taxes

Caritas Family Solutions and SIRO are not-for-profit organizations and are exempt from Federal and State of Illinois income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3), except on net income derived from unrelated business activities as defined in the Code. Fox River, L.P. is an Illinois limited partnership and files a partnership tax return.

Management believes they have appropriate support for any tax positions taken, and as such do not have any uncertain tax positions that are material to the consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 7, 2020, the date the consolidated financial statements were available to be issued.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note D – Investments and Fair Value Measurement

Investments consist of money market funds, mutual funds and pooled separate accounts. Investment income consisted of the following:

	<u>2020</u>	<u>2019</u>
Unrealized gains	\$ 43,022	\$ 52,268
Interest and dividends	<u>16,024</u>	<u>29,940</u>
	<u>\$ 59,046</u>	<u>\$ 82,208</u>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Organization determines the fair value of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, such as third-party valuations and management's estimate.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities Exchange Commission ("SEC"). These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note D – Investments and Fair Value Measurement (Continued)

Pooled Separate Accounts: Valued at the NAV of units of a trust company pooled separate account. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate. During the year, there have been no changes in the methodologies used to derive the fair value of the Organization's assets and liabilities.

The following table presents the fair value measurements of investments recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of June 30, 2020 and 2019:

	Fair Value Measurements at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 85,202	\$ 85,202	\$ -	\$ -
Pooled separate account (a)	83,014	-	-	-
Equities	561,027	561,027	-	-
Mutual funds	310,489	310,489	-	-
Total investments	\$ 1,039,732	\$ 956,718	\$ -	\$ -

	Fair Value Measurements at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 50,693	\$ 50,693	\$ -	\$ -
Pooled separate account (a)	76,131	-	-	-
Equities	-	-	-	-
Mutual funds	707,127	707,127	-	-
Total investments	\$ 833,951	\$ 757,820	\$ -	\$ -

(a) In accordance with ASU 2015-07, certain collective trust investments and pooled separate account investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. See below regarding investments measured at fair value using net asset value per share.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020
 (See Independent Auditor’s Report)

Note D – Investments and Fair Value Measurement (Continued)

	2020			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 83,014	-	Monthly	5 days

	2019			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled separate accounts	\$ 76,131	-	Monthly	5 days

Note E – Reserves and Client Deposits

Mortgage escrow deposits, replacement reserves and operating deficit reserves remain under the control of the Fox River mortgage note holder (IHDA) for the benefit of the Project and are generally deposited in interest-bearing accounts with a federally insured financial institution.

The mortgage agreement requires the Project to fund an escrow account for payments of real estate taxes, assessments, and insurance on the property. The balance in this escrow totaled \$30,905 and \$30,425 at June 30, 2020 and 2019, respectively.

The regulatory agreement requires the Project to deposit \$625 monthly into a restricted escrow account and maintain a minimum balance of \$45,000 for the replacement of property and other capital expenditures approved by IHDA. As of June 30, 2020 and 2019, the balance in the replacement reserve equaled \$65,942 and \$57,811, respectively. The regulatory agreement also requires the Partnership to escrow specific amounts for the funding of operating deficits of the Project. As of June 30, 2020 and 2019, the operating reserve account held a balance of \$53,450 and \$52,889, respectively.

The Project maintains refundable tenant security deposits, in a separate bank account, in accordance with lease covenants. The balance in the security deposit account as of June 30, 2020 and 2019, totaled \$4,522 and \$4,515, respectively.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note F – Property and Equipment

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 880,938	\$ 866,188
Land improvements	342,486	342,486
Buildings	6,527,526	6,348,481
Fixed equipment	3,243,658	3,157,288
Leasehold improvements	176,292	170,318
Furniture and equipment	583,507	575,466
Software and systems	106,682	106,682
Vehicles	1,648,511	1,332,129
Construction in progress	412,953	4,429
	<u>13,922,553</u>	<u>12,903,467</u>
Less accumulated depreciation	<u>(4,997,508)</u>	<u>(4,230,726)</u>
	<u>\$ 8,925,045</u>	<u>\$ 8,672,741</u>

Depreciation expense amounted to \$929,496 and \$824,427 for the fiscal years ended June 30, 2020 and 2019, respectively.

Note G – Paycheck Protection Program (PPP) Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the new Paycheck Protection Program ("PPP"). The Organization applied and was awarded a loan in the amount of \$3,015,200 under the PPP on April 23, 2020 with no required collateral, no personal guarantee, and no prepayment penalty. If the Organization follows PPP loan guidelines, the full amount will be forgiven. However, if the Organization is not granted forgiveness, monthly payments of principal and interest at a rate of 1% will be required beginning in April 2021. Interest will not be charged on any forgiven amounts.

On August 23, 2020, subsequent to year end, the Organization paid \$2,000,000 of the PPP loan back to the bank due to other government funding provided to the Organization, leaving \$1,015,200 to be forgiven if certain conditions are met. If not forgiven, the schedule maturities of the loan are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 412,781
2022	<u>602,419</u>
	<u>\$ 1,015,200</u>

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note H – Notes Payable

Long-term debt consists of the following vehicle and building loans at June 30, 2020 and 2019:

<u>Bank/Collateral</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity Date</u>	<u>2020</u>	<u>2019</u>
<u>Vehicle Loans</u>					
Bank of Edwardsville	1.99%	\$ 382	9/5/2019	\$ -	\$ 756
Bank of Edwardsville	1.99%	387	12/8/2019	-	1,918
Bank of Edwardsville	1.99%	383	10/5/2019	-	1,250
Bank of Edwardsville	1.99%	426	10/5/2019	-	3,336
Bank of Edwardsville	1.99%	418	10/5/2019	-	357
Bank of Edwardsville	2.49%	421	3/5/2020	-	2,714
Bank of Edwardsville	2.49%	469	9/16/2020	416	5,955
First County Bank	1.99%	434	12/30/2019	-	2,589
First County Bank	2.10%	412	5/28/2020	-	4,482
First County Bank	1.99%	369	12/30/2019	-	2,200
First County Bank	1.99%	369	12/30/2019	-	4,684
First County Bank	2.10%	407	6/24/2020	-	2,200
First County Bank	2.10%	395	6/24/2020	-	4,828
First County Bank	2.10%	402	6/24/2020	-	4,769
First County Bank	2.10%	339	4/19/2020	-	3,358
First County Bank	2.10%	467	6/24/2020	-	5,539
First County Bank	2.10%	340	4/19/2020	-	3,362
First County Bank	2.20%	438	12/9/2020	2,610	7,744
First County Bank	2.20%	442	8/11/2020	-	6,102
First County Bank	2.20%	487	1/31/2021	3,383	9,079
First County Bank	2.20%	474	9/23/2020	1,416	7,006
First County Bank	2.20%	474	9/23/2020	1,416	7,006
First County Bank	2.20%	460	12/9/2020	2,841	8,134
First County Bank	2.20%	403	1/31/2021	2,798	7,513
First County Bank	2.20%	486	4/14/2021	4,808	10,459

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note H – Notes Payable (Continued)

Bank/Collateral	Interest Rate	Monthly Payment	Maturity Date	2020	2019
<u>Vehicle Loans (Continued)</u>					
First County Bank	2.20%	422	6/22/2021	5,002	9,898
First County Bank	2.20%	431	3/28/2021	-	8,867
First County Bank	2.20%	333	8/2/2021	4,596	8,912
First County Bank	2.50%	422	1/9/2022	7,849	12,647
First County Bank	2.70%	439	5/24/2022	9,819	14,739
First County Bank	2.20%	345	8/2/2021	4,762	8,747
First County Bank	2.50%	444	1/9/2022	8,259	13,306
First County Bank	2.50%	433	1/9/2022	8,053	12,976
First County Bank	2.50%	477	11/1/2021	7,964	13,419
First County Bank	2.50%	433	1/9/2022	8,053	12,976
First County Bank	2.70%	366	4/3/2022	7,844	11,960
First County Bank	2.70%	342	4/3/2022	7,327	11,170
First County Bank	2.20%	270	8/2/2021	3,726	6,842
First County Bank	2.70%	357	4/3/2022	7,653	11,671
First County Bank	2.70%	353	4/3/2022	7,562	11,529
First County Bank	2.20%	393	8/2/2021	5,424	9,962
First County Bank	2.50%	334	10/3/2021	3,655	9,074
First County Bank	2.20%	425	8/2/2021	5,866	10,776
First County Bank	2.50%	427	10/3/2021	6,708	11,596
First County Bank	2.50%	477	1/9/2022	8,872	14,293
First County Bank	2.70%	342	4/3/2022	8,872	11,170

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note H – Notes Payable (Continued)

Bank/Collateral	Interest Rate	Monthly Payment	Maturity Date	2020	2019
<u>Mortgage Loans</u>					
First County Bank/ mortgage on CILA 1	3.45%	1,352	8/15/2019	182,946	191,308
First County Bank/ mortgage on CILA 2	3.45%	334	12/17/2019	185,889	194,431
First County Bank/ mortgage on CILA 3	3.45%	425	6/15/2020	90,322	99,621
First County Bank/ mortgage on CILA 4	4.50%	327	8/16/2024	116,866	-
First County Bank/ mortgage on CILA 5	4.30%	427	10/22/2024	119,210	118,090
Bank of Belleville/ mortgage on St. Johns Bosco CC	3.74%	12,500	10/17/2034	-	1,739,578
Bank of Belleville/ mortgage on St. Johns Bosco CC	4.15%	2,672	8/28/2036	-	390,391
Bank of Belleville/ mortgage on Mt. Vernon	4.95%	4,091	12/21/2023	677,868	699,492
Bank of Belleville/ mortgage on Belleville and Carterville properties	4.95%	2,672	10/2/2023	864,179	891,915
Bank of Belleville	4.60%	14,186	10/30/2024	2,588,011	-
IFF/ mortgage on St. Johns Bosco CC	6.00%	3,761	11/1/2019	-	451,778
IHDA/ mortgage Fox River	1.00%	2,577	8/1/2041	587,577	612,488
First National Bank- second mortgage on Fox River	7.50%	2,748	11/1/2021	44,835	73,260
				5,615,257	5,816,222
		Less Current Maturities		339,677	1,152,754
				\$ 5,275,580	\$ 4,663,468

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note H – Notes Payable (Continued)

Maturities of notes payable are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 339,677
2022	348,813
2023	371,266
2024	1,620,139
2025	2,836,574
Thereafter	<u>98,788</u>
	<u>\$ 5,615,257</u>

The Organization has a \$1,500,000 line of credit agreement with a bank, of which \$0 had been drawn at June 30, 2020 and 2019, respectively. The line of credit carries interest at the prime rate with a minimum of 3.25% (5.5% at June 30, 2020) and is collateralized by the assets of the Organization. This agreement expires March 23, 2020.

Note I – Capital Leases

During 2019 and 2020, Caritas entered into various capital lease agreements for the purchase of vehicles. The cost of the equipment under capital lease is included in the balance sheet as property and equipment. As of June 30, 2020 and 2019, the cost of capital lease equipment was \$850,245 and \$366,847, respectively. Accumulated amortization of the leased vehicles at June 30, 2020 and 2019 was \$191,207 and \$33,140, respectively. Amortization of assets under capital leases is included in depreciation expense.

Future minimum lease payments required under these leases are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 213,282
2022	213,282
2023	260,048
2024	<u>97,213</u>
Total minimum lease payments	783,825
Less: amounts representing interest	<u>88,298</u>
Present value of net minimum lease payments	695,527
Less: current maturities	<u>185,205</u>
Long-term capital lease obligations	<u>\$ 510,322</u>

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note J – Commitments

Agreements between Fox River and IHDA governing operation of the Project provide for regulation of rental charges, restrictions on disposition of the property, restrictions on renting to individuals with certain income limits, and the limitation of annual cash distributions to the partners based upon available surplus cash as stated in the Fox River partnership agreement.

The Project's low-income housing credits are contingent on its ability to maintain compliance with applicable provisions of Section 42 of the Internal Revenue Code. Failure to maintain compliance with eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, under Section 42, rent increases remained prohibited without approval from IHDA.

Note K – Operating Leases

Lessor

The Organization leases space to outside entities under non-cancelable operating leases with terms of five to six years with options to extend.

Future minimum rentals under the leases at June 30, 2020, are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 128,981
2022	63,909
2023	27,645
2024	<u>12,665</u>
	<u>\$ 233,200</u>

Lessee

Operating leases include the rent of offices in other area locations and the building that houses the senior living community. These leases have varying expiration dates up to June 30, 2021, with various options to extend the terms.

Future minimum lease payments at June 30, 2020, related to these leases are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 13,200

Rent expense was \$114,474 and \$181,554 for the years ended June 20, 2020 and 2019, respectively.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note L – Employee Benefit Plan

The Organization has a defined contribution retirement plan covering substantially all of its employees. The Organization currently makes contributions to the plan equal to 2.5% of eligible employee compensation. Retirement expense for the years ended June 30, 2020 and 2019, was \$194,799 and \$147,862 respectively.

Note M – Net Assets with Donor Restrictions

Net assets with donor restrictions represent unconditional promises to give as well as donations that are restricted as to use. Net assets with donor restrictions at the end of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ -	\$ 5,000
Fontabella	-	8,136
United Way allocation	<u>42,461</u>	<u>45,032</u>
	<u>\$ 42,461</u>	<u>\$ 58,168</u>

Net assets were released from net assets with donor restrictions due to the receipt of unconditional promises to give. Releases were as follows during the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 92,493	\$ 55,196
Purpose restrictions – other	<u>8,136</u>	<u>-</u>
	<u>\$ 100,629</u>	<u>\$ 55,196</u>

Note N – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or management restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,292,405	\$ 1,116,865
Accounts and grants receivable	3,399,692	2,724,220
Pledges receivable	-	5,000
Certificate of deposit	126,772	123,762
Investments, at fair value	1,039,732	833,951
Note receivable	-	50,000
	<u>9,858,601</u>	<u>4,853,798</u>
Less: Net assets restricted for purpose	-	8,136
	<u>\$ 9,858,601</u>	<u>\$ 4,845,662</u>

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

June 30, 2020

(See Independent Auditor's Report)

Note N – Liquidity and Availability of Resources (Continued)

Caritas has a line of credit totaling \$1,500,000 of which \$0 has been drawn down as of June 30, 2020 and 2019.

As part of their liquidity management plan, Caritas invests cash in excess of daily requirements in short-term investments, CD's and money market funds.

Note O – Risks and Uncertainties

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Organization's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.

Supplemental Information

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2020

(See Independent Auditor's Report)

	Caritas	Fox River	SIRO	Eliminating	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 5,255,887	\$ 21,149	\$ 15,369	\$ -	\$ 5,292,405
Accounts receivable, net	3,399,692	-	-	-	3,399,692
Certificate of deposit	126,772	-	-	-	126,772
Investments, at fair value	1,039,732	-	-	-	1,039,732
Investment in Fox River	1,089,405	-	(800)	(1,088,605)	-
Prepaid expenses	298,120	1,278	-	-	299,398
Total Current Assets	11,209,608	22,427	14,569	(1,088,605)	10,157,999
Reserves and Client Deposits	-	154,819	-	-	154,819
Property and Equipment, net	7,361,345	1,563,700	-	-	8,925,045
TOTAL ASSETS	\$ 18,570,953	\$ 1,740,946	\$ 14,569	\$ (1,088,605)	\$ 19,237,863
LIABILITIES AND NET ASSETS / PARTNERS' CAPITAL					
Current Liabilities					
Current maturities of notes payable	\$ 283,886	\$ 55,791	\$ -	\$ -	\$ 339,677
Current maturities Paycheck Protection Program Loan	2,412,781	-	-	-	2,412,781
Current maturities of capital leases	185,205	-	-	-	185,205
Accounts payable	850,409	6,621	-	-	857,030
Accrued salaries and related expenses	2,801,344	-	-	-	2,801,344
Other accrued liabilities	143,907	13,308	-	-	157,215
Deferred revenue	251,584	-	-	-	251,584
Total Current Liabilities	6,929,116	75,720	-	-	7,004,836
Long-Term Liabilities					
Notes payable, less current maturities	4,698,959	576,621	-	-	5,275,580
Paycheck Protection Program loan, less current maturities	602,419	-	-	-	602,419
Capital leases, less current maturities	510,322	-	-	-	510,322
Total Long-Term Liabilities	5,811,700	576,621	-	-	6,388,321
Total Liabilities	12,740,816	652,341	-	-	13,393,157
Net Assets / Partners' Capital					
Partners' Capital	-	1,088,605	-	(1,088,605)	-
Net assets without restrictions	5,787,676	-	14,569	-	5,802,245
Net assets with restrictions	42,461	-	-	-	42,461
Total Net Assets / Partners' Capital	5,830,137	1,088,605	14,569	(1,088,605)	5,844,706
TOTAL LIABILITIES AND NET ASSETS / PARTNERS' CAPITAL	\$ 18,570,953	\$ 1,740,946	\$ 14,569	\$ (1,088,605)	\$ 19,237,863

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS AND AFFILIATES

Consolidating Statement of Activities

Year ended June 30, 2020

(See Independent Auditor's Report)

	Caritas	Fox River	SIRO	Eliminating	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Support and Revenue:					
Grant and contract revenue	\$ 29,607,273	\$ -	\$ -	\$ -	\$ 29,607,273
Program service fees	715,025	-	-	-	715,025
Contributions	1,192,292	-	-	-	1,192,292
Special event revenue, net of \$27,733 expense	83,778	-	-	-	83,778
Rental income	121,869	256,776	-	(18,000)	360,645
Management fee income	14,939	-	-	(14,939)	-
Miscellaneous income	119,782	15,404	-	(14,939)	120,247
Investment income	57,544	1,489	13	-	59,046
Loss on Fox River LP	(20,870)	-	-	20,870	-
Gain on sale of property and equipment	36,565	-	-	-	36,565
Net assets released from restrictions	100,629	-	-	-	100,629
Total Support and Revenue	32,028,826	273,669	13	(27,008)	32,275,500
Expenses:					
Operating expenses					
Program services					
Foster care	19,580,416	-	-	-	19,580,416
SJBCC Residential	4,500,216	-	-	-	4,500,216
CILA	1,454,619	-	-	-	1,454,619
Senior employment	901,665	-	-	-	901,665
Adoption, counseling and other	382,689	-	-	-	382,689
Intact Family	266,344	-	-	-	266,344
Fox River	517,289	253,710	-	(32,939)	738,060
Management and general	3,041,535	40,829	850	(14,939)	3,068,275
Fundraising	497,620	-	-	-	497,620
Total operating expenses	31,142,393	294,539	850	(47,878)	31,389,904
Non-operating expenses					
Rental expense	95,568	-	-	-	95,568
Total Expenses	31,237,961	294,539	850	(47,878)	31,485,472
Change in Net Assets Without Donor Restrictions	790,865	(20,870)	(837)	20,870	790,028
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	84,922	-	-	-	84,922
Net assets released from restrictions	(100,629)	-	-	-	(100,629)
Change in Net Assets With Donor Restrictions	(15,707)	-	-	-	(15,707)
CHANGE IN NET ASSETS	775,158	(20,870)	(837)	20,870	774,321
Net Assets, Beginning of Year	5,054,979	1,109,475	15,406	(1,109,475)	5,070,385
Net Assets, End of Year	\$ 5,830,137	\$ 1,088,605	\$ 14,569	\$ (1,088,605)	\$ 5,844,706

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS

Schedule of Functional Expenses (Unconsolidated)

For the Year Ended June 30, 2020

(See Independent Auditor's Report)

	Program Services							Supporting Services			
	Foster Care	SJBCC Residential	CILA	Senior Employment	Intact Family	Adoption, Counseling and Other	Fox River	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries	\$ 9,917,615	\$ 2,973,409	\$ 938,235	\$ 610,624	\$ 200,294	\$ 229,351	\$ 308,525	\$ 15,178,053	\$ 1,862,597	\$ 281,711	\$ 17,322,361
Fringe benefits and payroll taxes	1,789,851	525,246	130,627	75,586	28,007	33,779	40,290	2,623,386	355,424	54,807	3,033,617
Total salaries and related expenses	11,707,466	3,498,655	1,068,862	686,210	228,301	263,130	348,815	17,801,439	2,218,021	336,518	20,355,978
Program service payments	5,249,242	116,102	9,001	19,755	14,779	1,606	370	5,410,855	-	-	5,410,855
Education and training	78,301	29,031	7,287	2,865	624	1,613	1,353	121,074	43,181	4,197	168,452
Occupancy	265,972	116,012	77,214	1,787	1,936	13,119	22,698	498,738	131,588	1,900	632,226
Professional fees	336,276	53,838	21,725	5,929	1,140	20,044	17,844	456,796	155,834	19,600	632,230
Bad debt	416	5,000	22,834	-	-	18,348	21,756	68,354	10,387	-	78,741
Travel and transportation	496,973	25,480	13,111	6,153	10,805	7,207	1,643	561,372	14,478	893	576,743
Office supplies	109,381	231,235	61,399	1,950	796	3,289	80,491	488,541	55,983	1,576	546,100
Miscellaneous	90,813	30,247	32,426	170,321	743	13,816	1,808	340,174	26,843	108,366	475,383
Small equipment	210,921	94,498	9,476	574	1,095	4,030	3,637	324,231	80,501	7,544	412,276
Communications	183,371	19,161	14,673	1,181	2,857	5,445	1,602	228,290	32,715	3,174	264,179
Printing and publications	7,468	243	-	9	18	33	468	8,239	6,251	4,850	19,340
Equipment rental and maintenance	97,488	25,286	5,724	2,467	791	10,050	3,291	145,097	73,359	2,648	221,104
Postage and shipping	23,244	293	18	-	2	190	417	24,164	17,233	1,975	43,372
Insurance	180,742	35,402	22,170	619	547	3,949	6,029	249,458	28,377	-	277,835
Membership dues and subscriptions	13,402	701	7,410	-	-	27	905	22,445	11,107	469	34,021
Interest	103,850	47,832	28,341	1,000	-	2,367	-	183,390	73,737	1,471	258,598
Special events	-	-	-	-	-	-	-	-	-	27,733	27,733
Depreciation	425,090	171,200	52,948	845	1,910	14,426	4,162	670,581	157,508	2,439	830,528
Subtotal	19,580,416	4,500,216	1,454,619	901,665	266,344	382,689	517,289	27,603,238	3,137,103	525,353	31,265,694
Rental expense	-	-	-	-	-	-	-	-	(95,568)	-	(95,568)
Less special events direct benefit to donors	-	-	-	-	-	-	-	-	-	(27,733)	(27,733)
Total Expenses	\$ 19,580,416	\$ 4,500,216	\$ 1,454,619	\$ 901,665	\$ 266,344	\$ 382,689	\$ 517,289	\$ 27,603,238	\$ 3,041,535	\$ 497,620	\$ 31,142,393

The accompanying notes are an integral part of these consolidated financial statements.

CARITAS FAMILY SOLUTIONS

Schedule of Change in Net Assets by Functional Category (Unconsolidated)

For the Year Ended June 30, 2020

(See Independent Auditor's Report)

	Program Services							Supporting Services			
	Foster Care	SJBCC Residential	CILA	Senior Employment	Intact Family	Adoption, Counseling and Other	Fox River	Total Program	Management and General	Fundraising	Total
PROGRAM INCOME (LOSS)											
Grant and contract revenue	\$ 21,964,578	\$ 5,103,970	1,417,130	\$ 717,792	\$ 403,803	\$ -	\$ -	\$ 29,607,273	\$ -	\$ -	\$ 29,607,273
Program service fees	-	13,712	-	-	-	123,132	578,181	715,025	-	-	715,025
Program expenses	(19,580,416)	(4,500,216)	(1,454,619)	(901,665)	(266,344)	(382,689)	(517,289)	(27,603,238)	(3,041,535)	(497,620)	(31,142,393)
Total Program Income (Loss)	2,384,162	617,466	(37,489)	(183,873)	137,459	(259,557)	60,892	2,719,060	(3,041,535)	(497,620)	(820,095)
CONTRIBUTION INCOME											
Contributions (without restrictions)	113,982	42,414	46,894	169,688	-	119,262	1,228	493,468	-	698,824	1,192,292
Contributions (with restrictions)	-	-	-	-	-	-	-	-	-	84,922	84,922
Total Contributions	113,982	42,414	46,894	169,688	-	119,262	1,228	493,468	-	783,746	1,277,214
NON-PROGRAM INCOME											
Loss on Fox River LP	-	-	-	-	-	-	(20,870)	(20,870)	-	-	(20,870)
Special events	-	-	-	-	-	-	-	-	-	83,778	83,778
Investment income	-	-	-	-	-	-	-	-	57,544	-	57,544
Gain on sale of equipment	25,439	-	7,966	-	-	-	-	33,405	3,160	-	36,565
Net rental income	-	-	-	-	-	-	-	-	26,301	-	26,301
Management fee income	-	-	-	-	-	-	14,939	14,939	-	-	14,939
Miscellaneous income	3,000	111,512	-	-	-	723	148	115,383	4,399	-	119,782
Total Non-Program Income	28,439	111,512	7,966	-	-	723	(5,783)	142,857	91,404	83,778	318,039
Allocation of Management and General Expenses	2,122,079	627,733	144,410	13,258	37,532	21,981	71,370	3,038,363	(3,038,363)	-	-
CHANGE IN NET ASSETS	\$ 404,504	\$ 143,659	\$ (127,039)	\$ (27,443)	\$ 99,927	\$ (161,553)	\$ (15,033)	\$ 317,022	\$ 88,232	\$ 369,904	\$ 775,158

The accompanying notes are an integral part of these consolidated financial statements.



THE FIRM FOR GROWTH.®

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Caritas Family Solutions

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Caritas Family Solutions (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and 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, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caritas Family Solutions' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caritas Family Solutions' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caritas Family Solutions' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Smith Wallace, LLP

St. Louis, Missouri
December 7, 2020