
Ada S. McKinley Community Services, Inc. and
Subsidiary

**Consolidated Financial Report
with Additional Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Directors
Ada S. McKinley Community Services, Inc.
and Subsidiary

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary (the "Organizations"), which comprise the consolidated statement of financial position as of June 30, 2024 and 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organizations as of June 30, 2024 and 2023 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organizations and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors
Ada S. McKinley Community Services, Inc.
and Subsidiary

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024 on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' 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 Organizations' internal control over financial reporting and compliance.



November 19, 2024

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2024 and 2023

| | 2024 | 2023 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,801,660 | \$ 3,090,714 |
| Funds held in trust (Note 2) | 389,922 | 503,116 |
| Investments (Notes 5 and 6) | 3,224,022 | 3,597,941 |
| Receivables - Net: (Notes 2 and 4) | | |
| Trade accounts receivable | 2,101,024 | 1,539,045 |
| Grants receivable | 7,276,450 | 5,554,294 |
| Other accounts receivable | 148,275 | 196,851 |
| Total receivables | 9,525,749 | 7,290,190 |
| Prepaid expenses | 713,116 | 422,857 |
| Total current assets | 19,654,469 | 14,904,818 |
| Investments (Notes 5 and 6) | 1,122,897 | 1,022,301 |
| Other Assets | | |
| Deposits held in escrow (Note 8) | 306,808 | 288,131 |
| Other assets | 357,863 | 253,545 |
| Right-of-use operating lease assets (Note 11) | 1,102,064 | 1,689,827 |
| Property and Equipment - Net (Note 7) | 6,558,056 | 5,840,593 |
| Advances to Affiliates (Note 18) | 575,546 | 450,429 |
| Net Pension Benefit (Note 13) | 586,875 | - |
| Total assets | <u><u>\$ 30,264,578</u></u> | <u><u>\$ 24,449,644</u></u> |

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Financial Position (Continued)

June 30, 2024 and 2023

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 2,483,469 | \$ 2,241,952 |
| Deferred revenue | 2,939,843 | 34,972 |
| Accrued liabilities and other: | | |
| Accrued wages and related taxes | 2,219,645 | 2,468,277 |
| Accrued interest | 13,612 | 13,637 |
| Settlements payable and other liabilities (Note 12) | 4,916,005 | 3,746,067 |
| Current portion of notes payable (Note 10) | 2,019,122 | 296,001 |
| Current portion of lease liabilities - Operating (Note 11) | 634,461 | 638,576 |
| Current portion of pension benefit obligation (Note 13) | - | 734,912 |
| Total current liabilities | 15,226,157 | 10,174,394 |
| Lease Liabilities - Operating (Note 11) | 467,603 | 1,051,251 |
| Notes Payable (Note 10) | - | 2,018,948 |
| Total liabilities | 15,693,760 | 13,244,593 |
| Net Assets | | |
| Without donor restrictions | 13,440,648 | 10,179,310 |
| With donor restrictions (Notes 15 and 16) | 1,130,170 | 1,025,741 |
| Total net assets | 14,570,818 | 11,205,051 |
| Total liabilities and net assets | <u>\$ 30,264,578</u> | <u>\$ 24,449,644</u> |

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Changes in Net Assets without Donor Restrictions | | |
| Revenue and other support: | | |
| Fees and grants from governmental agencies (Note 17) | \$ 42,539,206 | \$ 36,511,341 |
| Contract revenue | 15,692,393 | 14,659,719 |
| Contributions | 276,278 | 226,571 |
| Interest income | 118,287 | 27,691 |
| Investment income | 81,329 | 94,223 |
| Other revenue | 627,823 | 740,340 |
| Total revenue and other support | 59,335,316 | 52,259,885 |
| Expenses: | | |
| Program services: | | |
| Child day care services - Head Start | 7,507,048 | 7,361,892 |
| Counseling | 8,675,904 | 6,134,895 |
| Employment | 17,850,555 | 17,289,745 |
| Foster family care | 6,874,536 | 6,806,527 |
| Residential services - ICFDD | 2,592,396 | 3,712,249 |
| Residential services - CILA | 4,882,688 | 3,056,603 |
| Home-based services | 71,314 | 55,111 |
| Educational services | 1,197,216 | 1,159,000 |
| Diverse Learners Fund | 480,426 | - |
| Total program services | 50,132,083 | 45,576,022 |
| Support services: | | |
| Management and general | 6,592,524 | 5,689,187 |
| Fundraising | 671,158 | 582,072 |
| Total support services | 7,263,682 | 6,271,259 |
| Total expenses | 57,395,765 | 51,847,281 |
| Increase in Net Assets without Donor Restrictions - Before other items | 1,939,551 | 412,604 |
| Other Items | | |
| Adjustment to GAAP pension expense from funded pension amount | 932,308 | 641,053 |
| Pension-related change other than net periodic costs | 389,479 | 4,088,601 |
| Increase in Net Assets without Donor Restrictions | 3,261,338 | 5,142,258 |
| Changes in Net Assets with Donor Restrictions | | |
| Realized and change in unrealized gain on investments - Net | 59,599 | 18,946 |
| Investment income | 44,830 | 53,845 |
| Increase in Net Assets with Donor Restrictions | 104,429 | 72,791 |
| Increase in Net Assets | 3,365,767 | 5,215,049 |
| Net Assets - Beginning of year | 11,205,051 | 5,990,002 |
| Net Assets - End of year | \$ 14,570,818 | \$ 11,205,051 |

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

| | Program Services | | | | | | | | | | Support Services | | | Total |
|---|--------------------------------------|---------------------|----------------------|---------------------|------------------------------|-----------------------------|---------------------|----------------------|-----------------------|------------------------|------------------------|-------------------|------------------------|----------------------|
| | Child Day Care Services - Head Start | Counseling | Employment | Foster Family Care | Residential Services - ICFDD | Residential Services - CILA | Home-based Services | Educational Services | Diverse Learners Fund | Total Program Services | Management and General | Fundraising | Total Support Services | |
| Salaries | \$ 2,275,438 | \$ 3,479,719 | \$ 3,470,902 | \$ 2,655,864 | \$ 1,306,110 | \$ 3,362,864 | \$ 48,195 | \$ 584,083 | \$ 138,292 | \$ 17,321,467 | \$ 3,300,975 | \$ 169,530 | \$ 3,470,505 | \$ 20,791,972 |
| Employee benefits | 289,995 | 304,458 | 451,572 | 314,711 | 145,188 | 324,403 | 5,305 | 68,843 | 11,413 | 1,915,888 | 433,108 | 19,938 | 453,046 | 2,368,934 |
| Payroll taxes | 185,370 | 253,734 | 278,227 | 235,838 | 141,443 | 335,557 | 5,037 | 48,597 | 13,037 | 1,496,840 | 155,819 | 15,108 | 170,927 | 1,667,767 |
| Total salaries and related expenses | 2,750,803 | 4,037,911 | 4,200,701 | 3,206,413 | 1,592,741 | 4,022,824 | 58,537 | 701,523 | 162,742 | 20,734,195 | 3,889,902 | 204,576 | 4,094,478 | 24,828,673 |
| Professional fees - Contract services | 3,992,457 | 3,293,111 | 1,434,958 | 301,530 | 125,982 | 239,479 | 3,412 | 173,673 | 287,253 | 9,851,855 | 799,634 | 442,522 | 1,242,156 | 11,094,011 |
| Supplies | 201,322 | 98,500 | 1,424,147 | 37,693 | 168,895 | 154,859 | 481 | 98,701 | 11,968 | 2,196,566 | 99,545 | 2,766 | 102,311 | 2,298,877 |
| Telephone | 32,137 | 81,914 | 142,872 | 66,024 | 25,913 | 57,408 | 416 | 24,191 | 1,304 | 432,179 | 119,244 | 562 | 119,806 | 551,985 |
| Postage and shipping | 4,088 | 758 | 989,387 | 2,166 | 160 | 140 | - | - | - | 996,699 | 56,971 | 81 | 57,052 | 1,053,751 |
| Occupancy | 325,674 | 890,115 | 417,195 | 141,870 | 355,850 | 61,279 | 606 | 36,258 | - | 2,228,847 | 535,399 | 3,607 | 539,006 | 2,767,853 |
| Outside printing and artwork | 10,383 | 8,454 | 54,428 | 2,668 | - | - | - | 5,419 | 2,966 | 84,318 | 179,249 | 11,695 | 190,944 | 275,262 |
| Local transportation | 29,648 | 16,223 | 766,762 | 141,254 | 17,557 | 71,226 | 6 | 3,390 | 1,161 | 1,047,227 | 75,097 | 25 | 75,122 | 1,122,349 |
| Educational conferences and agency meetings | 45,453 | 64,839 | 87,870 | 5,954 | 29,743 | 48,373 | 663 | 14,717 | 2,075 | 299,687 | 358,898 | 287 | 359,185 | 658,872 |
| Subscriptions and reference publications | - | - | - | - | - | - | - | - | - | - | 5,832 | - | 5,832 | 5,832 |
| Special assistance to individuals | 7,912 | 7,682 | 7,862,414 | 1,449,535 | 16,715 | 30,951 | - | 126,957 | 9,023 | 9,511,189 | 155,343 | - | 155,343 | 9,666,532 |
| Equipment rental and maintenance | 28,868 | 82,237 | 228,448 | 41,006 | 21,617 | 122,099 | - | 9,648 | 1,689 | 535,612 | 48,244 | - | 48,244 | 583,856 |
| Membership dues | 15,388 | 18,987 | 29,003 | 110 | 3,176 | 11,015 | - | 680 | - | 78,359 | 20,817 | - | 20,817 | 99,176 |
| Bad debt expense - Grants | 49,820 | 63,553 | 35,320 | 1,421,297 | 48,695 | 27,217 | 7,193 | - | - | 1,653,095 | - | - | - | 1,653,095 |
| Miscellaneous | - | - | 10 | - | 129,458 | 3,594 | - | 100 | 245 | 133,407 | 54,403 | 5,037 | 59,440 | 192,847 |
| Depreciation | 13,095 | 11,620 | 177,040 | 57,016 | 55,894 | 32,224 | - | 1,959 | - | 348,848 | 193,946 | - | 193,946 | 542,794 |
| Total functional expenses | \$ 7,507,048 | \$ 8,675,904 | \$ 17,850,555 | \$ 6,874,536 | \$ 2,592,396 | \$ 4,882,688 | \$ 71,314 | \$ 1,197,216 | \$ 480,426 | \$ 50,132,083 | \$ 6,592,524 | \$ 671,158 | \$ 7,263,682 | \$ 57,395,765 |

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

| | Program Services | | | | | | | | Support Services | | | Total | |
|---|--------------------------------------|---------------------|----------------------|---------------------|------------------------------|-----------------------------|---------------------|----------------------|------------------------|------------------------|-------------------|---------------------|------------------------|
| | Child Day Care Services - Head Start | Counseling | Employment | Foster Family Care | Residential Services - ICFDD | Residential Services - CILA | Home-based Services | Educational Services | Total Program Services | Management and General | Fundraising | | Total Support Services |
| Salaries | \$ 2,048,143 | \$ 2,205,503 | \$ 3,251,421 | \$ 3,202,806 | \$ 2,043,321 | \$ 2,100,124 | \$ 39,579 | \$ 625,510 | \$ 15,516,407 | \$ 2,982,113 | \$ 46,511 | \$ 3,028,624 | \$ 18,545,031 |
| Employee benefits | 258,588 | 186,508 | 431,047 | 389,282 | 261,481 | 215,735 | 3,835 | 72,906 | 1,819,382 | 431,719 | 7,528 | 439,247 | 2,258,629 |
| Payroll taxes | 176,900 | 177,994 | 285,720 | 276,929 | 219,112 | 223,704 | 3,829 | 49,399 | 1,413,587 | 213,431 | 4,332 | 217,763 | 1,631,350 |
| Total salaries and related expenses | 2,483,631 | 2,570,005 | 3,968,188 | 3,869,017 | 2,523,914 | 2,539,563 | 47,243 | 747,815 | 18,749,376 | 3,627,263 | 58,371 | 3,685,634 | 22,435,010 |
| Professional fees - Contract services | 4,101,544 | 2,407,251 | 1,349,922 | 460,688 | 190,455 | 118,595 | 3,527 | 57,314 | 8,689,296 | 713,192 | 507,863 | 1,221,055 | 9,910,351 |
| Supplies | 228,827 | 176,632 | 1,463,052 | 68,261 | 246,753 | 77,350 | 446 | 91,939 | 2,353,260 | 72,529 | 2,032 | 74,561 | 2,427,821 |
| Telephone | 42,633 | 96,858 | 115,864 | 58,833 | 34,496 | 39,786 | 308 | 24,759 | 413,537 | 152,182 | 667 | 152,849 | 566,386 |
| Postage and shipping | 520 | 724 | 1,019,908 | 1,591 | 303 | 5 | - | - | 1,023,051 | 49,192 | - | 49,192 | 1,072,243 |
| Occupancy | 341,529 | 786,451 | 535,175 | 197,836 | 302,481 | 70,017 | 489 | 27,351 | 2,261,329 | 503,069 | 558 | 503,627 | 2,764,956 |
| Outside printing and artwork | 2,774 | 7,156 | 24,664 | - | - | - | - | - | 34,594 | 95,258 | 1,088 | 96,346 | 130,940 |
| Local transportation | 33,322 | 9,006 | 765,623 | 121,757 | 36,380 | 59,723 | 6 | 2,563 | 1,028,380 | 27,761 | 31 | 27,792 | 1,056,172 |
| Educational conferences and agency meetings | 33,955 | 18,050 | 47,107 | 13,726 | 30,615 | 27,745 | - | 32,160 | 203,358 | 86,591 | - | 86,591 | 289,949 |
| Subscriptions and reference publications | - | 99 | - | - | - | - | - | - | 99 | 2,908 | - | 2,908 | 3,007 |
| Special assistance to individuals | 5,183 | 5,797 | 7,635,397 | 1,350,165 | 39,452 | 16,789 | - | 154,526 | 9,207,309 | - | - | - | 9,207,309 |
| Equipment rental and maintenance | 62,682 | 45,557 | 159,506 | 103,981 | 40,770 | 84,396 | - | 17,084 | 513,976 | 52,495 | - | 52,495 | 566,471 |
| Membership dues | 8,346 | 146 | 27,293 | 139 | 5,372 | 9,464 | - | 85 | 50,845 | 30,704 | - | 30,704 | 81,549 |
| Bad debt expense | 1,594 | - | 15,701 | 499,157 | 11,876 | 5,352 | 3,092 | - | 536,772 | - | - | - | 536,772 |
| Miscellaneous | 3,689 | 1,285 | 4,052 | 2,378 | 187,481 | 1,294 | - | 1,268 | 201,447 | 76,965 | 11,462 | 88,427 | 289,874 |
| Depreciation | 11,663 | 9,878 | 158,293 | 58,998 | 61,901 | 6,524 | - | 2,136 | 309,393 | 199,078 | - | 199,078 | 508,471 |
| Total functional expenses | \$ 7,361,892 | \$ 6,134,895 | \$ 17,289,745 | \$ 6,806,527 | \$ 3,712,249 | \$ 3,056,603 | \$ 55,111 | \$ 1,159,000 | \$ 45,576,022 | \$ 5,689,187 | \$ 582,072 | \$ 6,271,259 | \$ 51,847,281 |

See notes to consolidated financial statements.

Ada S. McKinley Community Services, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 3,365,767 | \$ 5,215,049 |
| Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities: | | |
| Realized and change in unrealized gain on investments | (140,928) | (170,608) |
| Bad debt expense - Grants | 1,653,095 | 536,772 |
| Depreciation | 542,794 | 508,471 |
| Net periodic benefit cost | (32,308) | 258,947 |
| Pension-related change other than periodic pension expense | (389,479) | (4,088,601) |
| Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash: | | |
| Accounts receivable | (3,937,231) | (3,066,253) |
| Change in advances/due to affiliate | (125,571) | (30,967) |
| Other receivables | 49,030 | (173,115) |
| Other assets | (394,577) | (247,308) |
| Accounts payable and accrued expenses | 241,492 | 620,872 |
| Accrued wages and related expenses | (248,632) | (1,096,986) |
| Settlements payable and other liabilities | 1,169,938 | 688,847 |
| Deferred revenue | 2,904,871 | (90,332) |
| Pension benefit obligation | (900,000) | (900,000) |
| Net cash, cash equivalents, and restricted cash provided by (used in) operating activities | 3,758,261 | (2,035,212) |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (1,260,256) | (294,231) |
| Purchases of investments | - | (3,509,923) |
| Proceeds from sales of investments | 414,251 | - |
| Net cash, cash equivalents, and restricted cash used in investing activities | (846,005) | (3,804,154) |
| Cash Flows Used in Financing Activities - Repayments of mortgage notes payable | (295,827) | (277,946) |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | 2,616,429 | (6,117,312) |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of year | 3,881,961 | 9,999,273 |
| Cash, Cash Equivalents, and Restricted Cash - End of year | \$ 6,498,390 | \$ 3,881,961 |
| Consolidated Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash | | |
| Cash and cash equivalents | \$ 5,801,660 | \$ 3,090,714 |
| Funds held in trust | 389,922 | 503,116 |
| Deposits held in escrow | 306,808 | 288,131 |
| Total cash, cash equivalents, and restricted cash | \$ 6,498,390 | \$ 3,881,961 |
| Supplemental Cash Flow Information - Cash paid for interest | \$ 84,832 | \$ 102,714 |
| Significant Noncash Transactions - New leases resulting in right-of-use assets and lease liabilities | \$ 191,281 | \$ 1,554,097 |

Note 1 - Nature of Business

Ada S. McKinley Community Services, Inc. (McKinley) is an Illinois not-for-profit corporation established to maintain a full range of educational, residential, vocational, recreational, and welfare services; to improve the environmental conditions of the areas in which it operates; to serve people without regard to race, creed, or national origin; and to seek to encourage the highest standards of responsible citizenship among all residents of its service areas.

During 1980, McKinley incorporated Samaritas, Inc. (Samaritas) under the Illinois General Not For Profit Corporation Act. The purpose of Samaritas is "to own, acquire, buy, sell, mortgage, lease, and manage real estate and other related property and to maintain, operate, and manage the same as a not-for-profit organization." Samaritas is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. McKinley is the sole member of the corporation. Samaritas has been consolidated into these consolidated financial statements.

Affiliates

McKinley II, Inc.

During 1995, McKinley incorporated McKinley II, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development's (HUD) requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley II, Inc.), which serves as sole owner and borrower for the project.

McKinley III, Inc.

During 1996, McKinley incorporated McKinley III, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development's requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley III, Inc.), which serves as sole owner and borrower for the project.

McKinley IV, Inc.

During 1999, McKinley incorporated McKinley IV, Inc. (affiliate) under the Illinois General Not For Profit Corporation Act. The purpose of the affiliate is to comply with the U.S. Department of Housing and Urban Development's requirements for participation in its Section 811 project (the development of adult residential facilities for individuals with a developmental disability). HUD required McKinley to establish a single-purpose, not-for-profit corporation (McKinley IV, Inc.), which serves as sole owner and borrower for the project.

The boards of directors of these affiliates are separate from that of McKinley. The operations of the affiliates are not included in these consolidated financial statements. See Note 18 for additional transactions between McKinley and the affiliates.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary (the "Organizations") have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net assets of the Organizations are classified based on the presence or absence of donor-imposed restrictions.

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organizations.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by the passage of time. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Additionally, net assets subject to donor-imposed stipulations stating that they may be maintained in perpetuity are contributions made toward their endowment.

Cash Equivalents

The Organizations consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. They maintain their cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits.

Funds Held in Trust

The Organizations maintain various custodial bank accounts for deposits received on behalf of residents. These funds are owed to the members and are available for their benefit and are payable to them on demand. At June 30, 2024 and 2023, the funds totaled \$389,922 and \$503,116, respectively, and the corresponding liability accounts totaled \$389,751 and \$503,116, respectively, which are included in settlement payable and other liabilities.

Trade Accounts Receivable

The Organizations' trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts as well as receivables related to various services provided to related parties as described in Note 18. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Organizations collectively evaluate trade receivables to determine the allowance for credit losses based on the overall collectibility of contracts with state and local governments and with the related parties. The Organizations calculate the allowance using an expected loss model that considers the Organizations' actual historical loss rates adjusted for current economic conditions reasonable and supportable forecasts. The Organizations consider the current condition of state and local government finances and related party finances when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Accounts receivable from contracts with customers as of June 30, 2024, 2023, and 2022 totaled approximately \$1.9 million, \$1.5 million, and \$1.1 million, respectively. No contract assets or contract liabilities resulted from contracts with customers as of June 30, 2024, 2023, and 2022.

Investments

Investments in mutual funds, exchange-traded funds, and U.S. Treasury bills with readily determinable fair values are valued at their fair values in the consolidated statement of financial position. Interest and dividend income and unrealized and realized gains are reported as income on the consolidated statement of activities and changes in net assets and as an increase in net assets. Interest and dividend income is recorded on the accrual basis. Realized gains and losses are recognized on a specific identification basis of cost.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. The Organizations capitalize expenditures of \$1,000 or more for property, equipment, repairs, and maintenance that improve or extend the life of an existing asset.

The Organizations report gifts of property, plant, and equipment as support without donor restrictions, and such gifts are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated asset must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment must be maintained. Expirations of donor restrictions are reported when the donated or acquired property, plant, and equipment are placed in service.

Impairment of Property and Equipment

The Organizations recognize impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

There was no impairment loss recorded as of June 30, 2024 and 2023.

Leases

The Organizations have operating leases for a building and equipment. The Organizations recognize expense for operating leases on a straight-line basis over the lease term. The Organizations made a policy election not to separate lease and nonlease components for operating leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability.

The Organizations elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate. A right-of-use asset and operating lease liability are measured based on the net present value (NPV) of future lease payments (including expected extensions) using the risk-free rate.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration to which the Organizations expect to be entitled in exchange for those goods and services. The Organizations maintain legally enforceable contracts with most of their customers that establish general terms. At contract inception, the Organizations assess the goods and services promised in their contracts and identify a performance obligation for each promise that is distinct. The amount of consideration received and revenue recognized is based upon the terms stated in the contracts. The economic factors that impact the nature, timing, and uncertainty of revenue and cash flow do not vary significantly between the Organizations' customers and geographical regions in which they serve.

The Organizations' revenue streams under contracts with customers are composed of environmental services, I-Pass transponder processing and inventory management services, and rehabilitation workshops. These streams are included in contract revenue in the consolidated statement of activities and changes in net assets. Net revenue from customer contracts from environmental services revenue totaled \$13,206,927 and \$12,687,101 for the years ended June 30, 2024 and 2023, respectively. Revenue from customer contracts from I-Pass transponder processing and inventory management services totaled \$2,346,955 and \$1,789,934 for the years ended June 30, 2024 and 2023, respectively. Revenue from customer contracts from rehabilitation workshops totaled \$138,511 and \$182,684 for the years ended June 30, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

For environmental services, the Organizations have performance obligations related to providing cleaning and other custodial services over the agreed-upon contract term. Customers simultaneously receive and consume the benefit of these services as the contract is completed and revenue is recognized based on the right-to-invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and based on fixed monthly fees.

For I-Pass transponder processing and inventory management services, the primary performance obligations are processing of new and replacement transponder orders and testing and disposal of returned transponders. The customer simultaneously receives and consumes the benefit of these services as the contract is completed, and revenue is recognized based on the right-to-invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and is based on fixed per unit fees.

For rehabilitation workshops, the Organizations have performance obligations to provide kitting and assembly services for customer-owned materials. The customer simultaneously receives and consumes the benefit of these services as they are performed, and revenue is recognized based on the right-to-invoice practical expedient. The transaction price is calculated as the amount of consideration to which the Organizations expect to be entitled and is determined based on fixed per unit fees.

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue. An allowance is established whenever the Organizations are notified that reimbursement requests made to granting organizations are under review. No allowance was necessary as of June 30, 2024, 2023, and 2022.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

Donated Services and Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organizations. The Organizations also have volunteers performing a variety of tasks at its day care facilities; those services are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of 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. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Expenses deemed to be indirect, such as professional services, insurance, and supplies, are considered to be management and general unless used specifically by a program. Expenses related to occupancy, such as utilities and depreciation, are allocated based on square footage occupied by each function. Other indirect costs are allocated primarily based on ratio of total expenses or ratio of total salaries. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Federal Income Taxes

McKinley is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Samaritas is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(2).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including November 19, 2024, which is the date the consolidated financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncement

As of July 1, 2023, the Organizations adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* using the modified retrospective method. ASU No. 2016-13 changes the impairment model for financial assets measured at amortized cost, requiring presentation at the net of amount expected to be collected. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts. The adoption of this guidance on July 1, 2023 had no significant impact on the beginning of year net asset balances.

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 4 - Accounts and Grants Receivable

Accounts receivable include the following as of June 30:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Grants receivable: | | |
| Illinois Department of Healthcare and Family Services | \$ 325,500 | \$ 162,021 |
| Illinois Department of Human Services | 2,083,852 | 806,232 |
| Chicago Department of Family and Support Services | 1,413,186 | 1,360,616 |
| Illinois Department of Children and Family Services | 553,217 | 737,084 |
| Illinois Criminal Justice Information Authority/Chicago Department of Public Health | 1,441,819 | 2,411,821 |
| Other receivables | 1,821,431 | 273,371 |
| Trade receivables - Various rehabilitation workshops, contract revenue | 1,886,290 | 1,539,045 |
| Total accounts receivable | <u>\$ 9,525,295</u> | <u>\$ 7,290,190</u> |

Note 5 - Investments

The Organizations' investments are recorded at fair value as of June 30:

| | 2024 | 2023 |
|-----------------------|---------------------|---------------------|
| Mutual funds | \$ 938,747 | \$ 852,240 |
| Exchange-traded funds | 184,150 | 170,061 |
| U.S. Treasury bills | 3,224,022 | 3,597,941 |
| Total | <u>\$ 4,346,919</u> | <u>\$ 4,620,242</u> |

Not included in the table above is \$7,100 and \$3,267 of investments that are included in cash and cash equivalents in the consolidated statement of financial position as of June 30, 2024 and 2023, respectively.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organizations have the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The fair value of investments at June 30, 2024 and 2023 was determined based on Level 1 inputs. The Organizations estimate the fair value of these investments based on quoted prices in active markets for identical assets. The Organizations have no Level 2 or Level 3 assets as of June 30, 2024 and 2023.

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 7 - Property and Equipment

The cost of property and equipment is summarized as follows:

| | 2024 | 2023 | Depreciable Life - Years |
|----------------------------|---------------------|---------------------|-----------------------------|
| Land | \$ 1,898,758 | \$ 1,898,758 | - |
| Buildings and improvements | 13,415,615 | 12,871,136 | 10-40 |
| Furniture and equipment | 1,671,570 | 1,576,415 | 3-10 |
| Vehicles | 151,825 | 140,774 | 5 |
| Leasehold improvements | 2,173,515 | 1,563,942 | 5 |
| Total cost | 19,311,283 | 18,051,025 | |
| Accumulated depreciation | 12,753,227 | 12,210,432 | |
| Net property and equipment | <u>\$ 6,558,056</u> | <u>\$ 5,840,593</u> | |

Depreciation expense was \$542,794 for 2024 and \$508,471 for 2023.

Note 8 - Deposits Held in Escrow

A total of \$306,808 and \$288,131 held in various escrow accounts as of June 30, 2024 and 2023, respectively, is restricted to specific expenditures and requires prior approval by the U.S. Department of Housing and Urban Development.

Note 9 - Line of Credit

Under a line of credit agreement with a bank, McKinley has available borrowings of approximately \$4,000,000 with an expiration date of May 31, 2026. Interest is payable monthly at a rate of 2.35 percent above the prime rate (an effective rate of 7.68 and 7.47 percent at June 30, 2024 and 2023, respectively). The line of credit is collateralized by McKinley's receivables, excluding federal government contracts, and is cross-collateralized with the first mortgage on three properties. Under the line of credit agreement with the bank, McKinley is subject to a financial covenant. The covenant states that McKinley must have a minimum liquidity of \$2,500,000 measured on a quarterly basis. There were no outstanding borrowings on the line of credit at June 30, 2024 or 2023.

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 10 - Long-term Debt

Long-term debt at June 30 is as follows:

| | <u>2024</u> | <u>2023</u> |
|---|-------------|---------------------|
| <i>McKinley</i> - Section 202 (Direct Loan Program) award from the Department of Housing and Urban Development, payable in monthly installments of \$13,284, including interest at 9.25 percent based on a 454-month amortization schedule. Under this commitment, the Organizations constructed five residential care facilities for the developmentally disabled on Chicago's South Side. The note is collateralized by the mortgaged land and is due in October 2024 | \$ 44,356 | \$ 192,071 |
| <i>Samaritas</i> - Mortgage note payable to a bank in monthly installments of \$18,438, including interest at 3.50 percent based on a five-year amortization schedule, with a balloon payment due on May 28, 2025. This note is secured by the mortgaged properties and is guaranteed by Ada S. McKinley Community Services, Inc. | 1,974,766 | 2,122,878 |
| Total | 2,019,122 | 2,314,949 |
| Less current portion | 2,019,122 | 296,001 |
| Long-term portion | <u>\$ -</u> | <u>\$ 2,018,948</u> |

The balance of the above debt matures as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------------|
| 2025 | <u>\$ 2,019,122</u> |

Under the agreements with the bank, the Organizations are subject to a loan covenant requiring minimum liquidity of \$2,500,000 measured on a quarterly basis. The covenant is calculated based on consolidated numbers of Ada S. McKinley Community Services, Inc.

Note 11 - Leases

The Organizations are obligated under operating leases primarily for office space and equipment, expiring at various dates through 2028. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 2.84 percent to 4.61 percent. The leases require the Organizations to pay taxes, insurance, utilities, and maintenance costs.

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 11 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

| Years Ending June 30 | Amount |
|---|-------------------|
| 2025 | \$ 672,765 |
| 2026 | 409,802 |
| 2027 | 53,949 |
| 2028 | <u>14,328</u> |
| Total | 1,150,844 |
| Less amount representing interest | <u>48,780</u> |
| Present value of net minimum lease payments | 1,102,064 |
| Less current obligations | <u>634,461</u> |
| Long-term obligations under leases | <u>\$ 467,603</u> |

Expenses recognized under these leases for the years ended June 30 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Lease cost: | | |
| Operating lease cost | \$ 554,598 | \$ 554,046 |
| Short-term lease cost | 606,767 | 63,925 |
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases | \$ 536,831 | \$ 638,576 |
| Weighted-average remaining lease term (years) - Operating leases | 1.82 | 2.7 |
| Weighted-average discount rate - Operating leases | 3.8 % | 3.6 % |

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 12 - Settlement Payable and Other Liabilities

McKinley has agreements with third-party payors that provide for payments to McKinley for services at established rates, but amounts could be different from the third-party payors' payment amounts. Payment arrangements include prospectively determined reimbursed cost rates. Management has recorded settlements payable under certain programs and has included the estimates of these settlements, including estimated retroactive adjustments under reimbursement agreements with third-party payors in revenue. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Illinois Department of Children and Family Services | \$ 3,051,469 | \$ 2,121,266 |
| Illinois Department of Public Health | 24,456 | 24,456 |
| Illinois Healthcare and Family Services | 383,833 | 26,558 |
| Custodian fund - Clients | 386,159 | 503,116 |
| Behavior Health Consulting Services | 994,000 | 994,000 |
| Other | 76,088 | 76,671 |
| Total | <u>\$ 4,916,005</u> | <u>\$ 3,746,067</u> |

Note 13 - Pension Plan

McKinley has a pension plan covering all employees who have attained age 21 and worked at least 1,000 hours of service during a 12-month period and who are not part of the Agency Federal Contract Employees program. The plan provides defined benefits based on years of credited service. McKinley's policy is to fund pension costs in an amount no less than the amount required by the Employee Retirement Income Security Act of 1974 (ERISA). On March 29, 2013, the plan was amended, changing the benefit formula for employees who are not part of the Service Employees International Union Illinois and Indiana chapters to incorporate a cash balance formula for all service beyond that date. On April 28, 2022, the board voted to transition to a new 403(b) plan, and the previous plan was formally terminated effective June 30, 2024. Accrual of benefits has ceased as of June 30, 2024, and most of the Plan is expected to enter liquidation within one year.

Obligations and Funded Status

| | Pension Benefits | |
|------------------------------|-------------------|---------------------|
| | 2024 | 2023 |
| Projected benefit obligation | \$ 26,395,118 | \$ 28,373,811 |
| Fair value of plan | 26,981,993 | 27,638,899 |
| Funded status | <u>\$ 586,875</u> | <u>\$ (734,912)</u> |

Amounts recognized in the consolidated statement of financial position consist of the following:

| | Pension Benefits | |
|---------------------------|-------------------|---------------------|
| | 2024 | 2023 |
| Current liabilities | \$ - | \$ (734,912) |
| Fair value of plan | 586,875 | - |
| Funded status at year end | <u>\$ 586,875</u> | <u>\$ (734,912)</u> |

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Pension Plan (Continued)

Amounts not yet recognized as components of net periodic benefit cost consist of the following:

| | Pension Benefits | |
|----------|------------------|--------------|
| | 2024 | 2023 |
| Net loss | \$ 4,546,859 | \$ 4,936,338 |

The accumulated benefit obligation (which excludes actuarially calculated benefit obligation adjustments due to future compensation) for all defined benefit pension plans was \$26,395,118 and \$28,349,442 at June 30, 2024 and 2023, respectively.

| | Pension Benefits | |
|--|------------------|----------------|
| | 2024 | 2023 |
| Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid | | |
| Net periodic benefit (credit) cost | \$ (32,308) | \$ 258,947 |
| Employer contributions | 900,000 | 900,000 |
| Benefits paid | (2,395,482) | (2,233,265) |
| Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income | | |
| Net gain | \$ (99,848) | \$ (3,319,861) |
| Amortization of loss | (289,631) | (768,740) |
| Total recognized in pension-related changes other than net periodic costs | \$ (389,479) | \$ (4,088,601) |

Assumptions

The following assumptions were used to determine the benefit obligation and the net periodic benefit costs as of June 30:

| | Pension Benefits | |
|---|------------------|--------|
| | 2024 | 2023 |
| Discount rate - Benefit obligation | 5.25 % | 4.90 % |
| Discount rate - Net periodic benefit cost | 4.90 | 4.43 |
| Expected long-term return on plan assets | 7.30 | 8.05 |
| Expected rate of compensation increase | 3.00 | 3.00 |

The expected return on plan assets is based on McKinley's expectation of the long-term average rate of return of the capital markets in which the plan invests. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category.

Actuarial assumptions utilized in determining the actuarial present value of accumulated plan benefits were changed since the prior valuation date. The interest and discount rate for the obligation were 4.43 percent. The mortality tables were updated to the Pri-2012 Mortality Table projected to 2022 for employees and healthy annuitants with Mortality Improvement Scale MP-2021.

Pension Plan Assets

McKinley's investment policies employ an approach where a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed-income investments. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews and annual liability measurements. McKinley's actual asset allocations are in line with target allocations in order to stay within a range of allocation for each asset category.

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Pension Plan (Continued)

The target allocation of plan assets is 66 percent equity securities, 23 percent debt securities, and 11 percent cash equivalents as of June 30, 2024 and 2023.

The fair values of the Organizations' pension plan assets at June 30, 2024 and 2023 by major asset classes are as follows:

| Asset Classes | Fair Value Measurements at June 30, 2024 | | | |
|--------------------------------------|--|-------------------|--------------|---------------|
| | Quoted Prices in | Significant Other | Significant | Total |
| | Active Markets | Observable | Unobservable | |
| | for Identical | Inputs | Inputs | |
| Assets | (Level 2) | (Level 3) | | |
| | (Level 1) | | | |
| Fixed income: | | | | |
| Money market funds | \$ - | \$ 384,664 | \$ - | \$ 384,664 |
| U.S. government obligations | - | 7,157,522 | - | 7,157,522 |
| Corporate bonds | - | 13,665,259 | - | 13,665,259 |
| Foreign bonds, notes, and debentures | - | 896,347 | - | 896,347 |
| Equity - Mutual funds: | | | | |
| Equity | 4,847,957 | - | - | 4,847,957 |
| Fixed income | 30,244 | - | - | 30,244 |
| Total | \$ 4,878,201 | \$ 22,103,792 | \$ - | \$ 26,981,993 |

| Asset Classes | Fair Value Measurements at June 30, 2023 | | | |
|--------------------------------------|--|-------------------|--------------|---------------|
| | Quoted Prices in | Significant Other | Significant | Total |
| | Active Markets | Observable | Unobservable | |
| | for Identical | Inputs | Inputs | |
| Assets | (Level 2) | (Level 3) | | |
| | (Level 1) | | | |
| Fixed income: | | | | |
| Money market funds | \$ - | \$ 452,170 | \$ - | \$ 452,170 |
| U.S. government obligations | - | 1,850,437 | - | 1,850,437 |
| Mortgage-backed securities | - | 669,886 | - | 669,886 |
| Collateralized mortgage obligations | - | 9,162 | - | 9,162 |
| Corporate bonds | - | 1,123,542 | - | 1,123,542 |
| Foreign bonds, notes, and debentures | - | 124,062 | - | 124,062 |
| Rights, warrants, and derivatives | - | 9,248 | - | 9,248 |
| Equity: | | | | |
| Common stock: | | | | |
| International | 574,195 | - | - | 574,195 |
| United States | 4,786,659 | - | - | 4,786,659 |
| Mutual funds: | | | | |
| Equity | 11,993,601 | - | - | 11,993,601 |
| Fixed income | 5,163,870 | - | - | 5,163,870 |
| Preferred stock | 882,067 | - | - | 882,067 |
| Total | \$ 23,400,392 | \$ 4,238,507 | \$ - | \$ 27,638,899 |

The tables above present information about the pension plan assets measured at fair value at June 30, 2024 and 2023 and the valuation techniques used by the Organizations to determine those fair values.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Pension Plan (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The fair values of money market funds; U.S. government obligations; corporate bonds; foreign bonds; notes and debentures; and rights, warrants, and derivatives were determined primarily by Level 2 inputs.

The Organizations estimate fair values for the money market funds; U.S. government obligations; mortgage-backed securities; collateralized mortgage obligations; corporate bonds; foreign bonds; notes and debentures; and rights, warrants, and derivatives based on similar investments that are traded on the secondary market.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

The plan currently has no assets or liabilities that utilize Level 3 inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organizations' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Estimated Future Benefit Payments

Projected benefit payments to retired employees from the plan as of June 30, 2024 are estimated as follows:

| Years Ending | Pension Benefits |
|--------------|------------------|
| 2025 | \$ 25,446,426 |
| 2026 | 77,294 |
| 2027 | 18,805 |
| 2028 | 31,137 |
| 2029 | 53,849 |
| 2030-2034 | 214,606 |

Note 14 - Retirement Plan

McKinley sponsors a 403(b) plan for substantially all employees. The plan does not require McKinley to make profit-sharing contributions. Accordingly, there were no contributions in 2024 and 2023.

Note 15 - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes:

| | 2024 | 2023 |
|--------------------------------------|--------------|--------------|
| Donor-restricted endowment (Note 16) | \$ 1,130,170 | \$ 1,025,741 |

Note 16 - Donor-restricted Endowment

McKinley's endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16 - Donor-restricted Endowment (Continued)

McKinley's endowment fund provides support for McKinley's mission to assist individuals and families who, because of disabilities or other limiting conditions, need help in finding and pursuing paths leading to healthy, productive, and fulfilling lives.

Interpretation of Relevant Law

The Organizations are subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classify amounts in their donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organizations had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing their donor-restricted endowment funds, the Organizations consider a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organizations had interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organizations and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organizations
- The investment policies of the Organizations

Endowment Net Asset Composition by Type of Fund
as of June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | \$ - | \$ 1,000,000 | \$ 1,000,000 |
| Accumulated investment gains | - | 130,170 | 130,170 |
| Total | <u>\$ -</u> | <u>\$ 1,130,170</u> | <u>\$ 1,130,170</u> |

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16 - Donor-restricted Endowment (Continued)

| | Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024 |
|--|--|
| Endowment net assets - Beginning of year | \$ 1,025,741 |
| Investment gain: | |
| Investment income | 44,830 |
| Net appreciation (realized and unrealized) | 59,599 |
| Total investment gain | <u>104,429</u> |
| Endowment net assets - End of year | <u>\$ 1,130,170</u> |

Endowment Net Asset Composition by Type of Fund as of June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | \$ - | \$ 1,000,000 | \$ 1,000,000 |
| Accumulated investment gains | - | 25,741 | 25,741 |
| Total | <u>\$ -</u> | <u>\$ 1,025,741</u> | <u>\$ 1,025,741</u> |

| | Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023 |
|--|--|
| Endowment net assets - Beginning of year | \$ 952,950 |
| Investment gain: | |
| Investment income | 53,845 |
| Net appreciation (realized and unrealized) | 18,946 |
| Total investment gain | <u>72,791</u> |
| Endowment net assets - End of year | <u>\$ 1,025,741</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organizations to retain as a fund of perpetual duration.

There were no such deficiencies as of June 30, 2024 and 2023.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16 - Donor-restricted Endowment (Continued)

Return Objectives and Risk Parameters

McKinley has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, McKinley relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). McKinley targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organizations are restricted from making any distributions from endowment earnings if the endowment corpus balance is below \$1 million and cannot make any distributions that takes the endowment balance below \$1 million. There have been no appropriations of endowment earnings in 2024 or 2023. This is consistent with McKinley's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Note 17 - Fees and Grants from Governmental Agencies

| | 2024 | 2023 |
|--|---------------|---------------|
| U.S. Department of Education | \$ 851,679 | \$ 943,705 |
| U.S. Department of Housing and Urban Development | 647,543 | 512,784 |
| Social Security Administration - Rental supplements | 550,710 | 608,500 |
| Illinois Department of Children and Family Services | 6,718,492 | 7,740,792 |
| Illinois Department of Commerce and Economic Opportunity | 3,319,750 | - |
| Illinois Department of Healthcare and Family Services (Public Aid) | 3,486,281 | 4,706,371 |
| Illinois Department of Human Services: | | |
| Mental Health and Developmental Disabilities | 17,913,840 | 10,842,011 |
| Rehabilitation Services | 36,150 | 90,850 |
| State of Illinois - Board of Education - Food reimbursement programs | 13,185 | 11,966 |
| Chicago Public Schools | 179,814 | 176,153 |
| City of Chicago, Illinois | 7,693,734 | 7,826,193 |
| Illinois Criminal Justice Information Authority | 510,870 | 3,052,016 |
| Illinois Community College Board | 170,860 | - |
| Chicago Mayor's Office for People with Disabilities | 446,298 | - |
| | \$ 42,539,206 | \$ 36,511,341 |

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 18 - Related Party Transactions

McKinley provides various services to the affiliates that are described in Note 1. Revenue related to these services is reported in rehabilitation workshops, contract revenue, and other revenue in the consolidated statement of activities and changes in net assets. The Organizations do not have any receivables considered to be impaired as of June 30, 2024 and 2023. McKinley had the following balances due to/from its affiliates:

| | 2024 | 2023 |
|------------------------------|-------------------|-------------------|
| McKinley II, Inc. | \$ 216,550 | \$ 150,928 |
| McKinley III, Inc. | 190,653 | 134,344 |
| McKinley IV, Inc. | 168,343 | 165,157 |
| Total advances to affiliates | <u>\$ 575,546</u> | <u>\$ 450,429</u> |

The related party transactions McKinley has with its affiliates, McKinley II, Inc.; McKinley III, Inc.; and McKinley IV, Inc., are as follows:

McKinley II, Inc.

| | 2024 | 2023 |
|------------------------|------------------|------------------|
| Management fee | \$ 11,952 | \$ 11,952 |
| Accounting/Bookkeeping | 2,862 | 2,985 |
| Janitorial service | 22,388 | 40,882 |
| Total | <u>\$ 37,202</u> | <u>\$ 55,819</u> |

McKinley III, Inc.

| | 2024 | 2023 |
|------------------------|------------------|------------------|
| Management fee | \$ 6,046 | \$ 5,976 |
| Accounting/Bookkeeping | 1,528 | 1,512 |
| Janitorial service | 23,106 | 23,780 |
| Total | <u>\$ 30,680</u> | <u>\$ 31,268</u> |

McKinley IV, Inc.

| | 2024 | 2023 |
|------------------------|------------------|------------------|
| Management fee | \$ 14,342 | \$ 14,016 |
| Accounting/Bookkeeping | 3,722 | 3,718 |
| Janitorial service | 26,144 | 26,054 |
| Total | <u>\$ 44,208</u> | <u>\$ 43,788</u> |

Ada S. McKinley Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 19 - Liquidity and Availability of Resources

The following reflects the Organizations' financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 5,801,660 | \$ 3,090,714 |
| Accounts receivable | 9,525,295 | 7,290,190 |
| Short-term investments | <u>3,224,022</u> | <u>3,597,941</u> |
| Financial assets - At year end | 18,550,977 | 13,978,845 |
| Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions - Assets held in the endowment | <u>7,273</u> | <u>3,440</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 18,543,704</u> | <u>\$ 13,975,405</u> |

The Organizations have a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal operating expenses. The Organizations have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. The Organizations also have the ability to draw on the line of credit disclosed in Note 9 in the event of an unanticipated liquidity need.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Ada S. McKinley Community Services, Inc.
and Subsidiary

We have audited the consolidated financial statements of Ada S. McKinley Community Services, Inc. and Subsidiary as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated November 19, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional parent-only statements of Ada S. McKinley Community Services, Inc. are presented for the purpose of additional analysis rather than to present the financial position, activities and changes in net assets, and cash flows of the parent company and are not a required part of the consolidated financial statements. These parent-only statements exclude Samaritas, Inc., a subsidiary that is required to be consolidated under accounting principles generally accepted in the United States of America. 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 as a whole.

Plante & Moran, PLLC

November 19, 2024

Ada S. McKinley Community Services, Inc.

Statement of Financial Position

June 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,115,488 | \$ 2,109,872 |
| Funds held in trust | 389,922 | 503,116 |
| Investments | 1,067,958 | 2,055,608 |
| Receivables - Net | 9,525,295 | 7,290,190 |
| Prepaid expenses | 713,116 | 422,857 |
| Total current assets | 16,811,779 | 12,381,643 |
| Investments | 1,122,897 | 1,022,301 |
| Other Assets | | |
| Deposits held in escrow | 306,808 | 288,131 |
| Other assets | 357,863 | 253,545 |
| Right-of-use operating lease assets | 1,102,064 | 1,689,827 |
| Property and Equipment - Net | 3,898,422 | 3,118,914 |
| Advances to Affiliates | 2,280,256 | 1,966,825 |
| Net Pension Benefit | 586,875 | - |
| Total assets | \$ 26,466,964 | \$ 20,721,186 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 2,483,469 | \$ 2,241,952 |
| Deferred revenue | 2,939,843 | 34,972 |
| Accrued liabilities and other: | | |
| Accrued wages and related taxes | 2,219,645 | 2,468,277 |
| Accrued interest | 13,284 | 13,284 |
| Settlements payable and other liabilities | 4,916,005 | 3,746,067 |
| Current portion of notes payable | 44,356 | 147,889 |
| Current portion of lease liabilities - Operating | 541,470 | 638,576 |
| Current portion of pension benefit obligation | - | 734,912 |
| Total current liabilities | 13,158,072 | 10,025,929 |
| Lease Liabilities - Operating - Net of current portion | 560,594 | 1,051,251 |
| Notes Payable - Net of current portion | - | 44,182 |
| Due to Affiliates | 1,978,941 | 1,820,981 |
| Total liabilities | 15,697,607 | 12,942,343 |
| Net Assets | | |
| Without donor restrictions | 9,639,187 | 6,753,102 |
| With donor restrictions | 1,130,170 | 1,025,741 |
| Total net assets | 10,769,357 | 7,778,843 |
| Total liabilities and net assets | \$ 26,466,964 | \$ 20,721,186 |

Ada S. McKinley Community Services, Inc.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|---------------------|
| Changes in Net Assets without Donor Restrictions | | |
| Revenue, gains, and other support: | | |
| Fees and grants from governmental agencies | \$ 42,539,206 | \$ 36,511,341 |
| Contract revenue | 15,692,393 | 14,659,719 |
| Contributions | 276,278 | 226,571 |
| Interest income | - | 14,442 |
| Investment income | 81,647 | 51,909 |
| Other revenue | 669,583 | 778,716 |
| Total revenue, gains, and other support | 59,259,107 | 52,242,698 |
| Expenses: | | |
| Program services: | | |
| Child day care services - Head Start | 7,507,048 | 7,361,892 |
| Counseling | 8,675,904 | 6,134,895 |
| Employment | 17,945,711 | 17,378,490 |
| Foster family care | 7,167,534 | 7,089,278 |
| Residential services - ICFDD | 2,592,396 | 3,714,280 |
| Residential services - CILA | 4,882,688 | 3,075,544 |
| Home-based services | 71,314 | 55,111 |
| Educational services | 1,255,184 | 1,214,149 |
| Diverse Learners Fund | 480,426 | - |
| Total program services | 50,578,205 | 46,023,639 |
| Support services: | | |
| Management and general | 6,443,957 | 5,494,313 |
| Fundraising | 672,647 | 582,072 |
| Total support services | 7,116,604 | 6,076,385 |
| Total expenses | 57,694,809 | 52,100,024 |
| Increase in Net Assets without Donor Restrictions - Before other items | 1,564,298 | 142,674 |
| Other Items | | |
| Adjustment to GAAP pension expense from funded pension amount | 932,308 | 641,053 |
| Pension-related change other than net periodic costs | 389,479 | 4,088,601 |
| Total other items | 1,321,787 | 4,729,654 |
| Increase in Net Assets without Donor Restrictions | 2,886,085 | 4,872,328 |
| Changes in Net Assets with Donor Restrictions | | |
| Realized and change in unrealized gain on investments - Net | 59,599 | 18,946 |
| Investment income | 44,830 | 53,845 |
| Increase in Net Assets with Donor Restrictions | 104,429 | 72,791 |
| Increase in Net Assets | 2,990,514 | 4,945,119 |
| Net Assets - Beginning of year | 7,778,843 | 2,833,724 |
| Net Assets - End of year | \$ 10,769,357 | \$ 7,778,843 |

Statement of Functional Expenses

Year Ended June 30, 2024

| | Program Services | | | | | | | | | | Support Services | | | |
|---|--------------------------------------|---------------------|----------------------|---------------------|------------------------------|-----------------------------|---------------------|----------------------|-----------------------|------------------------|------------------------|-------------------|------------------------|------------------------|
| | Child Day Care Services - Head Start | Counseling | Employment | Foster Family Care | Residential Services - ICFDD | Residential Services - CILA | Home-based Services | Educational Services | Diverse Learners Fund | Total Program Services | Management and General | Fundraising | Total Support Services | Total Support Services |
| Salaries | \$ 2,275,438 | \$ 3,479,719 | \$ 3,470,902 | \$ 2,655,864 | \$ 1,306,110 | \$ 3,362,864 | \$ 48,195 | \$ 584,083 | \$ 138,292 | \$ 17,321,467 | \$ 3,300,975 | \$ 169,530 | \$ 3,470,505 | \$ 20,791,972 |
| Employee benefits | 289,995 | 304,458 | 451,572 | 314,711 | 145,188 | 324,403 | 5,305 | 68,843 | 11,413 | 1,915,888 | 433,108 | 19,938 | 453,046 | 2,368,934 |
| Payroll taxes | 185,370 | 253,734 | 278,227 | 235,838 | 141,443 | 335,557 | 5,037 | 48,597 | 13,037 | 1,496,840 | 155,819 | 15,108 | 170,927 | 1,667,767 |
| Total salaries and related expenses | 2,750,803 | 4,037,911 | 4,200,701 | 3,206,413 | 1,592,741 | 4,022,824 | 58,537 | 701,523 | 162,742 | 20,734,195 | 3,889,902 | 204,576 | 4,094,478 | 24,828,673 |
| Professional fees - Contract services | 3,992,457 | 3,293,111 | 1,434,959 | 301,530 | 125,982 | 239,479 | 3,412 | 173,673 | 287,253 | 9,851,856 | 778,669 | 442,522 | 1,221,191 | 11,073,047 |
| Supplies | 201,322 | 98,500 | 1,424,147 | 37,693 | 168,895 | 154,859 | 481 | 98,701 | 11,968 | 2,196,566 | 99,545 | 2,766 | 102,311 | 2,298,877 |
| Telephone | 32,137 | 81,914 | 142,872 | 66,024 | 25,913 | 57,408 | 416 | 24,191 | 1,304 | 432,179 | 119,244 | 562 | 119,806 | 551,985 |
| Postage and shipping | 4,088 | 758 | 989,387 | 2,166 | 160 | 140 | - | - | - | 996,699 | 56,971 | 81 | 57,052 | 1,053,751 |
| Occupancy | 325,674 | 890,115 | 512,350 | 434,868 | 355,850 | 61,279 | 606 | 94,226 | - | 2,674,968 | 568,055 | 5,096 | 573,151 | 3,248,119 |
| Equipment rental and maintenance | 28,868 | 82,237 | 228,448 | 41,006 | 21,617 | 122,099 | - | 9,648 | 1,689 | 535,612 | 48,244 | - | 48,244 | 583,856 |
| Outside printing and artwork | 10,383 | 8,454 | 54,428 | 2,668 | - | - | - | 5,419 | 2,966 | 84,318 | 179,249 | 11,695 | 190,944 | 275,262 |
| Local transportation | 29,648 | 16,223 | 766,762 | 141,254 | 17,557 | 71,226 | 6 | 3,390 | 1,161 | 1,047,227 | 75,097 | 25 | 75,122 | 1,122,349 |
| Educational conferences and agency meetings | 45,453 | 64,839 | 87,870 | 5,954 | 29,743 | 48,373 | 663 | 14,717 | 2,075 | 299,687 | 358,898 | 287 | 359,185 | 658,872 |
| Subscriptions and reference publications | - | - | - | - | - | - | - | - | - | - | 5,832 | - | 5,832 | 5,832 |
| Special assistance to individuals | 7,912 | 7,682 | 7,862,414 | 1,449,535 | 16,715 | 30,951 | - | 126,957 | 9,023 | 9,511,189 | 155,343 | - | 155,343 | 9,666,532 |
| Membership dues | 15,388 | 18,987 | 29,003 | 110 | 3,176 | 11,015 | - | 680 | - | 78,359 | 20,817 | - | 20,817 | 99,176 |
| Miscellaneous | - | - | 10 | - | 129,458 | 3,594 | - | 100 | 245 | 133,407 | 53,639 | 5,037 | 58,676 | 192,083 |
| Bad debt expense | 49,820 | 63,553 | 35,320 | 1,421,297 | 48,695 | 27,217 | 7,193 | - | - | 1,653,095 | - | - | - | 1,653,095 |
| Depreciation | 13,095 | 11,620 | 177,040 | 57,016 | 55,894 | 32,224 | - | 1,959 | - | 348,848 | 34,452 | - | 34,452 | 383,300 |
| | 4,756,245 | 4,637,993 | 13,745,010 | 3,961,121 | 999,655 | 859,864 | 12,777 | 553,661 | 317,684 | 29,844,010 | 2,554,055 | 468,071 | 3,022,126 | 32,866,136 |
| Total functional expenses | \$ 7,507,048 | \$ 8,675,904 | \$ 17,945,711 | \$ 7,167,534 | \$ 2,592,396 | \$ 4,882,688 | \$ 71,314 | \$ 1,255,184 | \$ 480,426 | \$ 50,578,205 | \$ 6,443,957 | \$ 672,647 | \$ 7,116,604 | \$ 57,694,809 |

Statement of Functional Expenses

Year Ended June 30, 2023

| | Program Services | | | | | | | | Support Services | | | | Total |
|---|--------------------------------------|---------------------|----------------------|---------------------|------------------------------|-----------------------------|---------------------|----------------------|------------------------|------------------------|-------------------|------------------------|----------------------|
| | Child Day Care Services - Head Start | Counseling | Employment | Foster Family Care | Residential Services - ICFDD | Residential Services - CILA | Home-based Services | Educational Services | Total Program Services | Management and General | Fundraising | Total Support Services | |
| Salaries | \$ 2,048,143 | \$ 2,205,503 | \$ 3,251,421 | \$ 3,202,806 | \$ 2,043,321 | \$ 2,100,124 | \$ 39,579 | \$ 625,510 | \$ 15,516,407 | \$ 2,982,113 | \$ 46,511 | \$ 3,028,624 | \$ 18,545,031 |
| Employee benefits | 258,588 | 186,508 | 431,047 | 389,282 | 261,481 | 215,735 | 3,835 | 72,906 | 1,819,382 | 431,719 | 7,528 | 439,247 | 2,258,629 |
| Payroll taxes | 176,900 | 177,994 | 285,720 | 276,929 | 219,112 | 223,704 | 3,829 | 49,399 | 1,413,587 | 213,431 | 4,332 | 217,763 | 1,631,350 |
| Total salaries and related expenses | 2,483,631 | 2,570,005 | 3,968,188 | 3,869,017 | 2,523,914 | 2,539,563 | 47,243 | 747,815 | 18,749,376 | 3,627,263 | 58,371 | 3,685,634 | 22,435,010 |
| Professional fees - Contract services | 4,101,544 | 2,407,251 | 1,349,922 | 460,688 | 190,455 | 118,595 | 3,527 | 57,314 | 8,689,296 | 694,859 | 507,863 | 1,202,722 | 9,892,018 |
| Supplies | 228,827 | 176,632 | 1,463,052 | 65,436 | 246,753 | 77,350 | 447 | 91,939 | 2,350,436 | 72,529 | 2,032 | 74,561 | 2,424,997 |
| Telephone | 42,633 | 96,858 | 115,864 | 58,833 | 34,496 | 39,786 | 308 | 24,759 | 413,537 | 152,182 | 667 | 152,849 | 566,386 |
| Postage and shipping | 520 | 724 | 1,019,908 | 1,591 | 303 | 5 | - | - | 1,023,051 | 49,192 | - | 49,192 | 1,072,243 |
| Occupancy | 341,259 | 786,451 | 623,920 | 480,587 | 304,512 | 88,958 | 489 | 82,500 | 2,708,676 | 506,981 | 558 | 507,539 | 3,216,215 |
| Equipment rental and maintenance | 62,682 | 45,557 | 159,506 | 103,981 | 40,770 | 84,396 | - | 17,084 | 513,976 | 52,495 | - | 52,495 | 566,471 |
| Outside printing and artwork | 2,774 | 7,156 | 24,664 | - | - | - | - | - | 34,594 | 95,258 | 1,088 | 96,346 | 130,940 |
| Local transportation | 33,322 | 9,006 | 765,623 | 121,757 | 36,380 | 59,723 | 5 | 2,563 | 1,028,379 | 27,761 | 31 | 27,792 | 1,056,171 |
| Educational conferences and agency meetings | 33,955 | 18,050 | 47,107 | 13,726 | 30,615 | 27,745 | - | 32,160 | 203,358 | 86,591 | - | 86,591 | 289,949 |
| Subscriptions and reference publications | - | 99 | - | - | - | - | - | - | 99 | 2,908 | - | 2,908 | 3,007 |
| Special assistance to individuals | 5,183 | 5,797 | 7,635,397 | 1,350,165 | 39,452 | 16,789 | - | 154,526 | 9,207,309 | - | - | - | 9,207,309 |
| Membership dues | 8,346 | 146 | 27,293 | 139 | 5,372 | 9,464 | - | 85 | 50,845 | 30,704 | - | 30,704 | 81,549 |
| Miscellaneous | 3,959 | 1,285 | 4,052 | 5,203 | 187,481 | 1,294 | - | 1,268 | 204,542 | 76,964 | 11,462 | 88,426 | 292,968 |
| Bad debt expense | 1,594 | - | 15,701 | 499,157 | 11,876 | 5,352 | 3,092 | - | 536,772 | - | - | - | 536,772 |
| Depreciation | 11,663 | 9,878 | 158,293 | 58,998 | 61,901 | 6,524 | - | 2,136 | 309,393 | 18,626 | - | 18,626 | 328,019 |
| Subtotal | 4,878,261 | 3,564,890 | 13,410,302 | 3,220,261 | 1,190,366 | 535,981 | 7,868 | 466,334 | 27,274,263 | 1,867,050 | 523,701 | 2,390,751 | 29,665,014 |
| Total functional expenses | \$ 7,361,892 | \$ 6,134,895 | \$ 17,378,490 | \$ 7,089,278 | \$ 3,714,280 | \$ 3,075,544 | \$ 55,111 | \$ 1,214,149 | \$ 46,023,639 | \$ 5,494,313 | \$ 582,072 | \$ 6,076,385 | \$ 52,100,024 |

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 2,990,514 | \$ 4,945,119 |
| Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities: | | |
| Realized and change in unrealized gain on investments | (141,246) | (128,294) |
| Bad debt expense | 1,653,095 | 536,772 |
| Depreciation | 383,300 | 328,019 |
| Net periodic benefit cost | (32,308) | 258,947 |
| Pension-related change other than periodic pension expense | (389,479) | (4,088,601) |
| Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash: | | |
| Accounts receivable | (3,937,231) | (3,066,253) |
| Change in advances/due to affiliates | (155,471) | (53,218) |
| Other receivables | 49,030 | (173,115) |
| Other assets | (394,577) | (247,308) |
| Accounts payable and accrued expenses | 241,517 | 620,896 |
| Accrued wages and related expenses | (248,632) | (1,096,986) |
| Settlements payable and other liabilities | 1,169,938 | 688,847 |
| Deferred revenue | 2,904,871 | (90,332) |
| Pension benefit obligation | (900,000) | (900,000) |
| | 3,193,321 | (2,465,507) |
| Net cash, cash equivalents, and restricted cash provided by (used in) operating activities | | |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (1,162,807) | (294,231) |
| Purchases of investments | - | (2,009,904) |
| Proceeds from sales of investments | 1,028,300 | - |
| | (134,507) | (2,304,135) |
| Net cash, cash equivalents, and restricted cash used in investing activities | | |
| Cash Flows Used in Financing Activities - Repayment of mortgage notes | (147,715) | (134,798) |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | 2,911,099 | (4,904,440) |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of year | 2,901,119 | 7,805,559 |
| Cash, Cash Equivalents, and Restricted Cash - End of year | \$ 5,812,218 | \$ 2,901,119 |
| Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash | | |
| Cash and cash equivalents | \$ 5,115,488 | \$ 2,109,872 |
| Funds held in trust | 389,922 | 503,116 |
| Deposits held in escrow | 306,808 | 288,131 |
| | \$ 5,812,218 | \$ 2,901,119 |
| Total cash, cash equivalents, and restricted cash | | |
| Supplemental Cash Flow Information - Cash paid for interest | \$ 22,279 | \$ 35,915 |