EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.

COMBINED FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017

TOGETHER WITH AUDITOR'S REPORT

D&L Dugan & Lopatka

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Evangelical Child and Family Agency:

We have audited the accompanying combined financial statements of Evangelical Child and Family Agency and ECFA Foundation, Inc. which comprise the combined statement of financial position as of June 30, 2018 and 2017, and the related combined statements of activities, cash flows and functional expenses for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

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

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

To the Board of Directors of
Evangelical Child and Family Agency
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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Evangelical Child and Family Agency and ECFA Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of Evangelical Child and Family Agency's internal control over financial reporting and our tests of its compliance with certain provision 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 Evangelical Child and Family Agency's internal control over financial reporting and compliance.

Dugan + Lopatka
DUGAN & LOPATKA

Wheaton, Illinois
September 25, 2018

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 467,125	$ 428,711
Investments	1,595,040	1,702,708
Receivables - Program fees	274,128	181,056
Other current assets	4,555	28,129
Total current assets	2,340,848	2,340,604
PROPERTY AND EQUIPMENT:		
Land	83,000	83,000
Building and improvements	271,623	760,046
Furniture and equipment	28,136	68,560
Automobiles	105,981	88,063
	488,740	999,669
Less - Accumulated depreciation	203,336	683,743
Net property and equipment	285,404	315,926
OTHER ASSETS:		
Prepaid deposits	5,037	4,702
Certificate of deposit	8,007	7,991
Total other assets	13,044	12,693
	$ 2,639,296	$ 2,669,223
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 69,905	$ 51,382
Other liabilities and accrued expenses	91,737	44,638
Total current liabilities	161,642	96,020
COMMITMENTS		
NET ASSETS:		
Unrestricted	2,434,557	2,526,106
Unrestricted - Board designated	34,097	34,097
Temporarily restricted	9,000	13,000
Total net assets	2,477,654	2,573,203
	$ 2,639,296	$ 2,669,223

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 584,195	$ 9,000	$ 593,195	$ 761,149	$ 13,000	$ 774,149
Program service fees	165,984	-	165,984	177,374	-	177,374
Government payment for services	837,307	-	837,307	733,148	-	733,148
Resale shop sales (net of direct expenses of $0 in 2018 and $57,602 in 2017)	-	-	-	40,607	-	40,607
Special projects and events (net of direct expenses of $112,307 in 2018 and $89,580 in 2017)	170,737	-	170,737	282,196	-	282,196
Dividends and interest	91,514	-	91,514	77,032	-	77,032
Net unrealized and realized gains on investments	54,666	-	54,666	125,987	-	125,987
Gain on disposal of property and equipment	9,923	-	9,923	-	-	-
Total support and revenue	1,914,326	9,000	1,923,326	2,197,493	13,000	2,210,493
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	13,000	(13,000)	-	-	-	-

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
FUNCTIONAL EXPENSES:						
Program -						
Adoption Services	$ 296,810	$ -	$ 296,810	$ 249,507	$ -	$ 249,507
Safe Families Foster Care	-	-	-	94,088	-	94,088
Pregnancy Support Services	341,241	-	341,241	337,030	-	337,030
Family and Individual Counseling	90,010	-	90,010	83,169	-	83,169
Intact Family Services	762,586	-	762,586	673,277	-	673,277
Total program expense	1,490,647	-	1,490,647	1,437,071	-	1,437,071
Management and General	300,729	-	300,729	311,252	-	311,252
Fundraising	179,556	-	179,556	183,468	-	183,468
Total functional expenses	1,970,932	-	1,970,932	1,931,791	-	1,931,791
CHANGE IN NET ASSETS, before non-operating items	(43,606)	(4,000)	(47,606)	265,702	13,000	278,702
NON-OPERATING ITEMS:						
Loss on disposal of assets related to fire	(54,660)	-	(54,660)	-	-	-
Expenses related to fire	(45,668)	-	(45,668)			
Casualty loss reimbursement income	52,385	-	52,385	-	-	-
Bequest for long-term purposes returned	-	-	-	(318,113)	-	(318,113)
CHANGE IN NET ASSETS	(91,549)	(4,000)	(95,549)	(52,411)	13,000	(39,411)
NET ASSETS, Beginning of year	2,560,203	13,000	2,573,203	2,612,614	-	2,612,614
NET ASSETS, End of year	$ 2,468,654	$ 9,000	$ 2,477,654	$ 2,560,203	$ 13,000	$ 2,573,203

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (95,549)	$ (39,411)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	33,167	31,736
Loss on disposal of property and equipment	44,737	-
Unrealized and realized (gain) on investments	(54,666)	(125,987)
Donated investments	(25,371)	(26,981)
(Increase) in receivables	(93,072)	(70,871)
(Increase) decrease in other current assets	23,574	(1,530)
(Increase) decrease in rent security deposits	(335)	15
(Increase) in certificate of deposit	(16)	(76)
Increase in accounts payable	18,523	26,273
Increase (decrease) in other liabilities and accrued expenses	47,099	(94,497)
Net cash (used in) operating activities	(101,909)	(301,329)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(92,318)	(457,077)
Proceeds from sale of investments	280,023	758,178
Purchase of property and equipment	(57,305)	(17,905)
Proceeds from sale of property and equipment	9,923	-
Net cash provided by investing activities	140,323	283,196
NET CHANGE IN CASH AND CASH EQUIVALENTS	38,414	(18,133)
CASH AND CASH EQUIVALENTS, Beginning of year	428,711	446,844
CASH AND CASH EQUIVALENTS, End of year	$ 467,125	$ 428,711

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Adoption Services	Safe Families Foster Care	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fund-raising	Total
Salaries	$ 200,555	$ -	$ 230,581	$ 56,978	$ 438,957	$ 927,071	$ 195,903	$ 99,415	$ 1,222,389
Employee benefits	35,167	-	35,724	12,302	82,038	165,231	23,608	13,001	201,840
Payroll taxes	17,129	-	19,379	4,124	31,772	72,404	14,743	7,618	94,765
Professional fees	4,407	-	2,222	902	5,483	13,014	6,378	2,433	21,825
Supplies	2,877	-	3,287	1,157	6,595	13,916	1,393	2,825	18,134
Telephone	6,088	-	7,345	617	13,836	27,886	2,068	2,860	32,814
Postage	1,148	-	1,098	239	1,934	4,419	956	6,181	11,556
Occupancy	7,298	-	7,595	6,059	9,694	30,646	4,415	2,407	37,468
Printing	159	-	1,360	82	663	2,264	889	30,645	33,798
Subscriptions	-	-	22	-	-	22	-	-	22
Local transportation	3,873	-	10,812	408	15,686	30,779	645	3,163	34,587
Conferences	2,844	-	1,451	263	11,213	15,771	10,065	383	26,219
Specific assistance	754	-	4,148	-	117,088	121,990	-	-	121,990
Membership dues	244	-	129	74	5,127	5,574	825	3,140	9,539
Insurance	4,811	-	4,964	3,147	5,035	17,957	9,071	1,475	28,503
Equipment rental and maintenance	2,950	-	2,645	836	7,933	14,364	9,342	1,247	24,953
Miscellaneous	346	-	-	-	78	424	16,689	250	17,363
Depreciation	6,160	-	8,479	2,822	9,454	26,915	3,739	2,513	33,167
Total functional expenses	$ 296,810	$ -	$ 341,241	$ 90,010	$ 762,586	$ 1,490,647	$ 300,729	$ 179,556	$ 1,970,932

The accompanying notes are an integral part of this statement.

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Adoption Services	Safe Families Foster Care	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fund-raising	Total
Salaries	$ 166,876	$ 63,001	$ 203,401	$ 50,319	$ 388,960	$ 872,557	$ 213,144	$ 112,629	$ 1,198,330
Employee benefits	35,090	13,965	60,838	12,306	84,016	206,215	28,997	13,858	249,070
Payroll taxes	11,563	4,466	14,700	3,590	27,753	62,072	15,174	7,874	85,120
Professional fees	2,584	736	3,723	654	4,954	12,651	7,658	1,221	21,530
Supplies	1,792	1,038	3,451	1,182	7,259	14,722	1,881	1,934	18,537
Telephone	4,084	1,825	4,818	242	8,661	19,630	1,033	1,540	22,203
Postage	974	366	1,381	232	1,755	4,708	920	5,800	11,428
Occupancy	5,089	1,758	5,753	3,751	6,317	22,668	2,846	1,471	26,985
Printing	200	128	10,644	828	860	12,660	306	25,888	38,854
Subscriptions	-	-	-	-	-	-	164	-	164
Local transportation	4,885	2,094	7,430	153	14,251	28,813	505	2,250	31,568
Conferences	3,367	(790)	1,226	1,710	324	5,837	4,693	439	10,969
Specific assistance	-	253	2,498	-	96,637	99,388	-	-	99,388
Membership dues	146	93	149	183	5,379	5,950	825	2,800	9,575
Insurance	4,767	1,713	5,200	3,811	6,418	21,909	8,629	1,409	31,947
Equipment rental and maintenance	2,599	1,381	3,322	1,622	10,654	19,578	9,198	2,414	31,190
Miscellaneous	35	-	28	-	752	815	12,382	-	13,197
Depreciation	5,456	2,061	8,468	2,586	8,327	26,898	2,897	1,941	31,736
Total functional expenses	$ 249,507	$ 94,088	$ 337,030	$ 83,169	$ 673,277	$ 1,437,071	$ 311,252	$ 183,468	$ 1,931,791

The accompanying notes are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Evangelical Child and Family Agency (the Agency) was incorporated on June 24, 1959, under the Illinois General Not-For-Profit Act. The Agency was formed to provide programs of adoption, foster family care, pregnancy support services, and family counseling under the evangelical protestant Christian auspices.

The ECFA Foundation, Inc. (the Foundation) was formed in 1996 for the purpose of promoting and financially supporting the purposes of the Evangelical Child and Family Agency.

The Agency and Foundation statements are combined due to the fact that the main purpose of the Foundation is to promote and support the Agency through contributions and borrowing abilities.

The financial statements were available to be issued on September 25, 2018, with subsequent events being evaluated through this date.

The following is a brief summary of the accounting policies adopted by the Agency and the Foundation:

Accounting Method -

The accounting records of the Agency and Foundation are maintained on the accrual basis which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for *Financial Statements of Not-for-Profit Organizations.* Under the ASC, the Agency and Foundation are required to report information regarding their financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. As of June 30, 2018, and 2017, the Board has designated $34,097 for capital improvements.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency or Foundation and/or the passage of time. At June 30, 2018 and 2017, there was $9,000 and $13,000 restricted for pregnancy support services, respectively.

Permanently Restricted Net Assets - Net assets to be held indefinitely, the income from which is expendable to support operating activities. At June 30, 2018 and 2017, there were no permanently restricted net assets.

The Foundation is combined with the Agency for financial reporting. All significant intercompany account balances and transactions have been eliminated in the combined financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Agency and Foundation consider all highly liquid instruments with an original maturity of less than three months to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject the Agency and Foundation to concentrations of credit risk consist principally of cash. The Agency and Foundation place their cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits during the year.

Receivables -

Receivables consist mostly of amounts due from governmental agencies and are considered fully collectible. Therefore, no allowance for doubtful accounts was required.

Investments -

Investments are recorded at fair market value.

Property and Equipment -

Property and equipment are stated at cost, except for donations of equipment, which are stated at fair market value as of the date of donation. The Agency follows the practice of capitalizing all expenditures for fixed assets in excess of $1,000. Depreciation is computed using the straight-line method to amortize the cost of fixed assets over their estimated useful lives, ranging from 3 to 40 years. Equipment replacements or improvements are capitalized. Expenditures for repairs or maintenance are expensed when incurred. When assets are disposed of or considered no longer useful, the cost and related depreciation are removed from the books.

Depreciation for the fiscal years ended June 30, 2018 and 2017 amounted to $33,167 and $31,736, respectively.

Donated Materials -

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their estimated market value at the date of donation.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services -

Donated services are recognized as contributions in accordance with the Accounting Standards Codification for *Contributions Received and Contributions Made*, 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 Agency.

Restricted and Unrestricted Revenue -

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions received are reported as increases in temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses -

The costs of providing the various programs and other activities are summarized on a functional basis. The costs have been allocated among the various programs and supporting service classifications on the basis of time records, square feet of building usage, and other estimates made by the Agency's management.

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 and disclosures. Actual results could differ from those estimates.

Income Taxes -

The Agency and Foundation have been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) as described under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Agency and Foundation file income tax returns in the U.S. federal jurisdiction. With few exceptions, the Agency and Foundation are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. The Agency and Foundation do not expect a material net change in unrecognized tax benefits in the next twelve months.

(2) INVESTMENTS:

Investments are carried at fair market value. Investments consist of the following:

Summary of Investments	2018 Fair Market Value	2018 Cost	2017 Fair Market Value	2017 Cost
Evangelical Child and Family Agency -				
Mutual funds	$ -	$ -	$ 12,921	$ 12,210
Exchange traded funds	-	-	2,951	2,951
Stocks	-	-	118,853	98,260
	-	-	134,725	113,421
ECFA Foundation -				
Mutual funds	1,595,040	1,067,719	1,567,983	1,083,336
Total investments	$ 1,595,040	$ 1,067,719	$ 1,702,708	$ 1,196,757

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurement established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Level 3:

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Stocks/Exchange Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Agency or Foundation at year end.

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

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follow:

	Assets at Fair Value as of June 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,595,040	$ -	$ -	$ 1,595,040

	Assets at Fair Value as of June 30, 2017			
Description	Level 1	Level 2	Level 3	Total
Investments -				
Stocks	$ 118,853	$ -	$ -	$ 118,853
Exchange traded funds	2,951	-	-	2,951
Mutual funds	1,580,904	-	-	1,580,904
Total investments	$ 1,702,708	$ -	$ -	$ 1,702,708

(4) LINE OF CREDIT:

The Agency and Foundation have a loan agreement with an investment broker in which they can borrow up to 50% of qualified investments held with this broker. The interest rate is a variable rate based on an amount greater than prime. As of June 30, 2018 and 2017, there was no outstanding balance on these loans.

(5) RELATED PARTY TRANSACTIONS:

The Agency has a line-of-credit arrangement that provides for a maximum borrowing of $100,000 with the Foundation. The line of credit from the Foundation is secured by a mortgage and security agreement with respect to real estate located in Wheaton, Illinois and New Berlin, Wisconsin. The interest rate on the line of credit from the Foundation to Illinois is set on the first day of each month and is equal to the prime rate of interest in effect prior to the first day of each month. As of June 30, 2018 and 2017, the line of credit had a $-0- balance. The line-of-credit note comes due on May 31, 2019.

The loans outstanding between the Foundation and the Agency are offset when the Foundation and the Agency in Illinois and Wisconsin are combined into one entity for financial reporting purposes.

The Foundation contributed $82,700 and $467,013 to the Agency for the years ended June 30, 2018 and 2017, respectively. The Agency contributed $-0- to the Foundation for the years ended June 30, 2018 and 2017. These amounts are offset on the combined financial statements. No DCFS funds were transferred out of the Agency to the Foundation.

(6) LEASE AGREEMENTS:

The Agency entered into two monthly leases during June, 2018 to lease certain space for its administrative offices in Illinois.

The Agency also had a one-year lease which expired during June, 2017 for its resale shop and the lease was not renewed. The total rent paid for the resale shop was $-0- and $39,876 for the years ended June 30, 2018 and 2017, respectively.

(7) RETIREMENT PLAN:

A 401(k) Plan was started on January 1, 2005 and is available to all employees. The Agency contributes a percentage of the employee's annual salary to the plan based on years of service up to a maximum of 5% for the years ended June 30, 2018 and 2017. There were employer contributions of $55,017 and $56,432 for the years ended June 30, 2018 and 2017, respectively.

(8) MAJOR SUPPORT AND REVENUE:

The Agency has a contract which must be renewed every year with the Illinois Department of Children and Family Services (DCFS) for Intact Family Services. The funding received under these agreements is 44% and 33% of the total unrestricted revenue and support received by the Agency for the years ended June 30, 2018 and 2017, respectively. The Agency also is required to be licensed as a Child Welfare Agency by DCFS.

(9) FEDERAL AND STATE GRANTS:

The Agency receives significant financial assistance from a state agency in the form of a grant. Program revenue in excess of program expenses is typically subject to recapture under various provisions. Additionally, the disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Agency.

(10) LETTER OF CREDIT:

The Agency has a letter of credit with a bank for Wisconsin unemployment in the amount of \$8,007 expiring on December 31, 2020. The letter of credit is collateralized by a certificate of deposit.

(11) FIRE DAMAGES:

In May, 2018, the Agency had a fire which caused significant damage to the Agency building in Illinois. The Agency disposed of \$540,573 in property and equipment and accumulated depreciation of \$485,912. This resulted in a loss of \$54,660. The Agency has filed a claim with their insurance company. The insurance proceeds amount was not determinable as of June 30, 2018.

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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*

To the Board of Directors of
Evangelical Child and Family Agency:

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 combined financial statements of Evangelical Child and Family Agency and ECFA Foundation, Inc. which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Evangelical Child and Family Agency and ECFA Foundation, Inc.'s 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Evangelical Child and Family Agency and ECFA Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Evangelical Child and Family Agency and ECFA Foundation'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 entity's combined 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 Evangelical Child and Family Agency and ECFA Foundation, Inc.'s combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 on the effectiveness of Evangelical Child and Family Agency and ECFA Foundation Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Evangelical Child and Family Agency and ECFA Foundation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dugan + Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
September 25, 2018

EVANGELICAL CHILD AND FAMILY AGENCY AND ECFA FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION BY AREA
JUNE 30, 2018

	Illinois	Wisconsin	Foundation	Elimination	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 377,090	$ 87,624	$ 2,411	$ -	$ 467,125
Investments	-	-	1,595,040	-	1,595,040
Receivables - Program fees	273,628	500	-	-	274,128
Other current assets	3,446	1,109	-	-	4,555
Total current assets	654,164	89,233	1,597,451	-	2,340,848
PROPERTY AND EQUIPMENT:					
Land	60,000	23,000	-	-	83,000
Building and improvements	81,952	189,671	-	-	271,623
Furniture and equipment	6,717	21,419	-	-	28,136
Automobiles	87,981	18,000	-	-	105,981
	236,650	252,090	-	-	488,740
Less - Accumulated depreciation	77,679	125,657	-	-	203,336
Net property and equipment	158,971	126,433	-	-	285,404
OTHER ASSETS:					
Certificate of deposit	-	8,007	-	-	8,007
Prepaid deposits	4,737	300	-	-	5,037
Total other assets	4,737	8,307	-	-	13,044
	$ 817,872	$ 223,973	$ 1,597,451	$ -	$ 2,639,296
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	$ 64,866	$ 5,039	$ -	$ -	$ 69,905
Other liabilities and accrued expenses	87,945	3,792	-	-	91,737
Total current liabilities	152,811	8,831	-	-	161,642
COMMITMENTS					
NET ASSETS					
Unrestricted	656,061	215,142	1,597,451	-	2,468,654
Temporarily restricted	9,000	-	-	-	9,000
Total net assets	665,061	215,142	1,597,451	-	2,477,654
	$ 817,872	$ 223,973	$ 1,597,451	-	$ 2,639,296

EVANGELICAL CHILD AND FAMILY AGENCY AND ECFA FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY AREA
FOR THE YEAR ENDED JUNE 30, 2018

	Illinois	Wisconsin	Foundation	Total
SUPPORT AND REVENUE:				
Contributions	$ 413,356	$ 168,557	$ 11,282	$ 593,195
Program service fees	104,976	61,008	-	165,984
Government payment for services	837,307	-	-	837,307
Special projects and events (net of direct expenses of $112,307)	156,840	13,897	-	170,737
Income on investments	(184)	(238)	91,936	91,514
Net unrealized and realized gain (loss) on investments	12,111	(294)	42,849	54,666
Gain on disposal of property and equipment	9,923	-	-	9,923
Total support and revenue	1,534,329	242,930	146,067	1,923,326
FUNCTIONAL EXPENSES:				
Adoption Services	189,691	107,119	-	296,810
Pregnancy Support Services	205,997	135,244	-	341,241
Family and Individual Counseling	90,010	-	-	90,010
Intact Family Services	762,586	-	-	762,586
Management and General	235,846	57,185	7,698	300,729
Fundraising	116,234	63,322	-	179,556
Total functional expenses	1,600,364	362,870	7,698	1,970,932
CHANGE IN NET ASSETS, before non-operating items	(66,035)	(119,940)	138,369	(47,606)
NON-OPERATING ITEMS:				
Loss on disposal of assets related to fire	(54,660)	-	-	(54,660)
Expenses related to fire	(45,668)	-	-	(45,668)
Casualty loss reimbursement income	52,385	-	-	52,385
CHANGE IN NET ASSETS	(113,978)	(119,940)	138,369	(95,549)
NET ASSETS, Beginning of year	726,339	305,082	1,541,782	2,573,203
TRANSFERS BETWEEN FUNDS	52,700	30,000	(82,700)	-
NET ASSETS, End of year	$ 665,061	$ 215,142	$ 1,597,451	$ 2,477,654