EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.

COMBINED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

TOGETHER WITH AUDITOR'S REPORT

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, 2019 and 2018, 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.

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, 2019 and 2018, 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 26, 2019, 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

Warrenville, Illinois
September 26, 2019

EXHIBIT 1

EVANGELICAL CHILD AND FAMILY AGENCY
AND ECFA FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 907,129	$ 467,125
Investments	1,650,522	1,595,040
Receivables - Program fees	197,842	274,128
Other current assets	6,252	4,555
Total current assets	2,761,745	2,340,848
PROPERTY AND EQUIPMENT:		
Land	83,000	83,000
Building and improvements	653,676	271,623
Furniture and equipment	46,941	28,136
Automobiles	127,161	105,981
	910,778	488,740
Less - Accumulated depreciation	217,236	203,336
Net property and equipment	693,542	285,404
OTHER ASSETS:		
Prepaid deposits	10,391	5,037
Certificate of deposit	8,007	8,007
Total other assets	18,398	13,044
	$ 3,473,685	$ 2,639,296
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 23,486	$ 69,905
Other liabilities and accrued expenses	37,508	91,737
Total current liabilities	60,994	161,642
COMMITMENTS		
NET ASSETS:		
Without donor restriction	3,364,594	2,434,557
Without donor restriction - board designation	34,097	34,097
With donor restriction	14,000	9,000
Total net assets	3,412,691	2,477,654
	$ 3,473,685	$ 2,639,296

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restriction	Total	Without Donor Restrictions	With Donor Restriction	Total
SUPPORT AND REVENUE:						
Contributions	$ 652,082	$ 14,000	$ 666,082	$ 584,195	$ 9,000	$ 593,195
Program service fees	156,439	-	156,439	165,984	-	165,984
Government payment for services	962,785	-	962,785	837,307	-	837,307
Special projects and events (net of direct expenses of $93,243 in 2019 and $112,307 in 2018)	172,148	-	172,148	170,737	-	170,737
Dividends and interest	112,461	-	112,461	91,514	-	91,514
Net unrealized and realized gains on investments	7,461	-	7,461	54,666	-	54,666
Gain on disposal of property and equipment	10,148	-	10,148	9,923	-	9,923
Total support and revenue	2,073,524	14,000	2,087,524	1,914,326	9,000	1,923,326
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	9,000	(9,000)	-	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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restriction	Total	Without Donor Restrictions	With Donor Restriction	Total
FUNCTIONAL EXPENSES:						
Program -						
Adoption Services	$ 298,373	$ -	$ 298,373	$ 296,810	$ -	$ 296,810
Pregnancy Support Services	346,064	-	346,064	341,241	-	341,241
Family and Individual Counseling	83,478	-	83,478	90,010	-	90,010
Intact Family Services	725,662	-	725,662	762,586	-	762,586
Total program expense	1,453,577	-	1,453,577	1,490,647	-	1,490,647
Management and General	333,355	-	333,355	300,729	-	300,729
Fundraising	165,558	-	165,558	179,556	-	179,556
Total functional expenses	1,952,490	-	1,952,490	1,970,932	-	1,970,932
CHANGE IN NET ASSETS, before non-operating items	130,034	5,000	135,034	(43,606)	(4,000)	(47,606)
NON-OPERATING ITEMS:						
Loss on disposal of assets related to fire	-	-	-	(54,660)	-	(54,660)
Expenses related to fire	(115,483)	-	(115,483)	(45,668)		(45,668)
Casualty loss reimbursement income	915,486	-	915,486	52,385	-	52,385
CHANGE IN NET ASSETS	930,037	5,000	935,037	(91,549)	(4,000)	(95,549)
NET ASSETS, Beginning of year	2,468,654	9,000	2,477,654	2,560,203	13,000	2,573,203
NET ASSETS, End of year	$ 3,398,691	$ 14,000	$ 3,412,691	$ 2,468,654	$ 9,000	$ 2,477,654

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 935,037	$ (95,549)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	31,900	33,167
(Gain) loss on disposal of property and equipment	(10,148)	44,737
Unrealized and realized (gain) on investments	(7,461)	(54,666)
Donated investments	(25,035)	(25,371)
Insurance proceeds for casualty loss	(867,871)	(100,000)
(Increase) decrease in receivables	76,286	(93,072)
Decrease (increase) in other current assets	(1,697)	23,574
(Increase) in prepaid deposits	(5,354)	(335)
(Increase) in certificate of deposit	-	(16)
(Decrease) increase in accounts payable	(46,419)	18,523
Decrease (increase) in other liabilities and accrued expenses	(54,229)	47,099
Net cash (used in) provided by operating activities	25,009	(201,909)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(104,032)	(92,318)
Proceeds from sale of investments	81,046	280,023
Insurance proceeds for casualty loss	867,871	100,000
Purchase of property and equipment	(440,038)	(57,305)
Proceeds from sale of property and equipment	10,148	9,923
Net cash provided by investing activities	414,995	240,323
NET CHANGE IN CASH AND CASH EQUIVALENTS	440,004	38,414
CASH AND CASH EQUIVALENTS, Beginning of year	467,125	428,711
CASH AND CASH EQUIVALENTS, End of year	$ 907,129	$ 467,125

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, 2019

	Adoption Services	Pregnancy Support Services	Family and Individual Counseling	Intact Family Services	Total Program Expense	Management and General	Fund-raising	Total
Salaries	$ 205,337	$ 223,723	$ 54,469	$ 443,216	$ 926,745	$ 242,483	$ 87,329	$ 1,256,557
Employee benefits	38,216	45,481	13,509	91,897	189,103	30,191	14,080	233,374
Payroll taxes	14,518	17,143	3,950	32,146	67,757	17,450	6,175	91,382
Professional fees	3,847	2,693	1,607	15,636	23,783	(5,463)	3,042	21,362
Supplies	2,986	3,805	1,072	6,609	14,472	1,695	1,595	17,762
Telephone	6,507	7,441	237	8,649	22,834	842	1,162	24,838
Postage	1,043	1,841	196	1,658	4,738	858	5,625	11,221
Occupancy	5,073	6,257	1,832	2,932	16,094	5,015	1,634	22,743
Printing	1,497	2,008	-	-	3,505	240	30,843	34,588
Subscriptions	-	203	138	203	544	159	-	703
Local transportation	3,282	10,645	185	17,329	31,441	901	3,343	35,685
Conferences	988	960	125	12,161	14,234	4,086	837	19,157
Specific assistance	-	5,638	206	67,642	73,486	-	-	73,486
Membership dues	473	227	99	2,731	3,530	826	3,300	7,656
Insurance	2,822	3,170	2,339	3,743	12,074	8,159	980	21,213
Equipment rental and maintenance	6,261	5,260	1,791	10,807	24,119	8,295	2,852	35,266
Miscellaneous	100	-	-	-	100	13,445	52	13,597
Depreciation	5,423	9,569	1,723	8,303	25,018	4,173	2,709	31,900
Total functional expenses	$ 298,373	$ 346,064	$ 83,478	$ 725,662	$ 1,453,577	$ 333,355	$ 165,558	$ 1,952,490

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, 2018

	Adoption Services	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

(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 26, 2019, 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), *Financial Statements for Not-for-Profit Organizations.* Under the ASC, the Agency is required to report information regarding two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Without donor restriction – Net assets that are not subject to donor-imposed stipulations.

With donor restriction – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or passage of time. As of June 30, 2019 and 2018, the net assets, with donor restrictions of $14,000 and $9,000 respectively, were for pregnancy support services.

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, 2019 and 2018, amounted to $31,900 and $33,167, 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 net assets without donor restrictions 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 net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

New Accounting Pronouncement-

During 2019, the Agency adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency had adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Allocation of Expenses-

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, and other expenses which are allocated on the basis estimated of time and effort.

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.

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

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 2015. 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	2019 Fair Market Value	2019 Cost	2018 Fair Market Value	2018 Cost
ECFA Foundation - Mutual funds	1,650,522	1,115,601	1,595,040	1,067,719
Total investments	$ 1,650,522	$ 1,115,601	$ 1,595,040	$ 1,067,719

(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.

(3) FAIR VALUE MEASUREMENTS: (Continued)

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.

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, 2019 and 2018.

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.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follow:

Description	Assets at Fair Value as of June 30, 2019 Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,650,522	$ -	$ -	$ 1,650,522

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

(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, 2019 and 2018, 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, 2019 and 2018, the line of credit had a $-0- balance. The line-of-credit note comes due on June 30, 2020.

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 $63,500 and $82,700 to the Agency for the years ended June 30, 2019 and 2018, respectively. The Agency contributed $-0- to the Foundation for the years ended June 30, 2019 and 2018. 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 is temporarily leasing its office space in Illinois while their main building is being restored. The lease is month to month. See Footnote 11 for more information.

(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, 2019 and 2018. There were employer contributions of $60,822 and $55,017 for the years ended June 30, 2019 and 2018, 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 46% and 44% of the total unrestricted revenue and support received by the Agency for the years ended June 30, 2019 and 2018, 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. In 2018 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. Through June 30, 2019, the Agency has incurred the following related expenses:

(11) FIRE DAMAGES: (Continued)

	Through June 30, 2018	Through June 30, 2019	Total Through June 30, 2019
Building Restoration	$ -	$ 392,199	$ 392,199
Repairs and Business Interruption	45,668	115,483	161,151
Total	$ 45,668	$ 507,682	$ 553,350

The Agency has received $967,871 of insurance proceeds through June 30, 2019. The Agency anticipates to incur additional repairs and restoration expenses during fiscal year 2020.

(12) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	2019	2018
Financial Assets:		
Cash and cash equivalents	$ 907,129	$ 467,125
Investments	1,650,522	1,595,040
Receivables – program fees	197,842	274,128
Total financial Assets	2,755,493	2,336,293
Less: Investments with liquidity horizon greater than one year	1,650,522	1,595,040
Cash for building restoration and expense Related to casualty loss	407,804	-
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	$ 697,167	$ 741,253

(12) LIQUIDITY AND AVAILABILITY: (Continued)

The Agency manages its liquidity and reserves adhering to the following principles:

-operating within a prudent range of financial soundness and stability
-incurring unbudgeted costs only when such costs are funded
-maintaining adequate liquid costs to fund near-term operating needs

Additionally, the Agency maintains a line of credit with an investment broker in which they can borrow up to 50% of qualified investments. The Agency also has received their fiscal year 2020 contract with Illinois Department of Children and Family Services.

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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, 2019, 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 26, 2019.

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

Warrenville, Illinois
September 26, 2019

EVANGELICAL CHILD AND FAMILY AGENCY AND ECFA FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION BY AREA
JUNE 30, 2019

	Illinois	Wisconsin	Foundation	Elimination	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 767,284	$ 138,864	$ 981	$ -	$ 907,129
Investments	-	-	1,650,522	-	1,650,522
Receivables - Program fees	196,992	850	-	-	197,842
Other current assets	4,200	2,052	-	-	6,252
Total current assets	968,476	141,766	1,651,503	-	2,761,745
PROPERTY AND EQUIPMENT:					
Land	60,000	23,000	-	-	83,000
Building and improvements	464,005	189,671	-	-	653,676
Furniture and equipment	25,522	21,419	-	-	46,941
Automobiles	87,981	39,180	-	-	127,161
	637,508	273,270	-	-	910,778
Less - Accumulated depreciation	95,012	122,224	-	-	217,236
Net property and equipment	542,496	151,046	-	-	693,542
OTHER ASSETS:					
Certificate of deposit	-	8,007	-	-	8,007
Prepaid deposits	9,591	800	-	-	10,391
Total other assets	9,591	8,807	-	-	18,398
	$ 1,520,563	$ 301,619	$ 1,651,503	$ -	$ 3,473,685
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	$ 22,314	$ 1,172	$ -	$ -	$ 23,486
Other liabilities and accrued expenses	34,440	3,068	-	-	37,508
Total current liabilities	56,754	4,240	-	-	60,994
COMMITMENTS					
NET ASSETS					
Without donor restrictions	1,449,809	297,379	1,651,503	-	3,398,691
With donor restrictions	14,000	-	-	-	14,000
Total net assets	1,463,809	297,379	1,651,503	-	3,412,691
	$ 1,520,563	$ 301,619	$ 1,651,503	-	$ 3,473,685

EVANGELICAL CHILD AND FAMILY AGENCY AND ECFA FOUNDATION, INC.
SCHEDULE OF ACTIVITIES BY AREA
FOR THE YEAR ENDED JUNE 30, 2019

	Illinois	Wisconsin	Foundation	Total
SUPPORT AND REVENUE:				
Contributions	$ 363,403	$ 292,270	$ 10,409	$ 666,082
Program service fees	53,290	103,149	-	156,439
Government payment for services	962,785	-	-	962,785
Special projects and events (net of direct expenses of $112,307)	147,402	24,746	-	172,148
Income on investments	4,225	896	107,340	112,461
Net unrealized and realized gain (loss) on investments	-	-	7,461	7,461
Gain on disposal of property and equipment	-	10,148	-	10,148
Total support and revenue	1,531,105	431,209	125,210	2,087,524
FUNCTIONAL EXPENSES:				
Adoption Services	188,253	110,120	-	298,373
Pregnancy Support Services	189,273	156,791	-	346,064
Family and Individual Counseling	83,478	-	-	83,478
Intact Family Services	725,662	-	-	725,662
Management and General	277,618	48,079	7,658	333,355
Fundraising	108,576	56,982	-	165,558
Total functional expenses	1,572,860	371,972	7,658	1,952,490
CHANGE IN NET ASSETS, before non-operating items	(41,755)	59,237	117,552	135,034
NON-OPERATING ITEMS:				
Expenses related to fire	(115,483)	-	-	(115,483)
Casualty loss reimbursement income	915,486	-	-	915,486
CHANGE IN NET ASSETS	758,248	59,237	117,552	935,037
NET ASSETS, Beginning of year	665,061	215,142	1,597,451	2,477,654
TRANSFERS BETWEEN FUNDS	40,500	23,000	(63,500)	-
NET ASSETS, End of year	$ 1,463,809	$ 297,379	$ 1,651,503	$ 3,412,691