

Financial Statements and Independent Auditors' Report



ABC Counseling & Family Services, Inc.

June 30, 2022

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## Independent Auditors' Report

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Board of Directors  
ABC Counseling & Family Services, Inc.

### Opinion

We have audited the financial statements of ABC Counseling & Family Services, Inc. (ABC) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ABC Counseling & Family Services, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

*Kerber, Eck, + Braeckel LLP*

Springfield, Illinois  
December 8, 2022

**ABC Counseling & Family Services, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	261,689
Contract receivables, net of allowance of \$ 5,000		100,941
Prepaid expenses		<u>10,912</u>

Total current assets 373,542

**INVESTMENTS**

69,429

**PROPERTY AND EQUIPMENT, NET OF DEPRECIATION**

Equipment		63,557
Furniture and fixtures		<u>5,438</u>

Less accumulated depreciation 68,995  
(67,220)

Total property and equipment, net of depreciation 1,775

**OTHER ASSETS**

Security deposits		<u>2,450</u>
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Total assets \$ 447,196

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	3,627
Accrued liabilities		9,868
Contract liability		<u>48,500</u>

Total current liabilities 61,995

**NET ASSETS**

Without donor restrictions		305,700
With donor restrictions		<u>79,501</u>

385,201

Total liabilities and net assets \$ 447,196

The accompanying notes are an integral part of this statement.

**ABC Counseling & Family Services, Inc.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Year ended June 30, 2022**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenues and other support</b>			
Program service fees			
Adoption and home study	\$ 35,000	\$ -	\$ 35,000
Counseling - DCFS	65,889	-	65,889
Counseling - other	695,777	-	695,777
Contributions	79,999	-	79,999
Fundraising	2,690	-	2,690
Government grant	143,022	-	143,022
Investment income	903	-	903
Net loss on investments	(6,330)	-	(6,330)
Total revenues and other support	1,016,950	-	1,016,950
<b>Expenses</b>			
Program services			
Adoption and home study	35,325	-	35,325
Counseling - DCFS	63,213	-	63,213
Counseling - other	720,967	-	720,967
Total program services	819,505	-	819,505
<b>Supporting services</b>			
Management and general	84,369	-	84,369
Fundraising	7,898	-	7,898
Total supporting services	92,267	-	92,267
Total expenses	911,772	-	911,772
Increase in net assets	105,178	-	105,178
<b>Net assets at beginning of year</b>	200,522	79,501	280,023
<b>Net assets at end of year</b>	\$ 305,700	\$ 79,501	\$ 385,201

The accompanying notes are an integral part of this statement.

**ABC Counseling & Family Services, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2022**

	Program Services				Supporting Services		Total
	<u>Adoption and Home study</u>	<u>Counseling DCFS</u>	<u>Counseling Other</u>	<u>Program Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 25,511	\$ 42,890	\$ 483,424	\$ 551,825	\$ 69,454	\$ 6,720	\$ 627,999
Payroll taxes	2,230	3,365	37,931	43,526	6,065	581	50,172
Employee benefits	34	2,163	24,379	26,576	-	-	26,576
Employee relations	-	70	794	864	-	-	864
Professional fees	-	-	-	-	8,850	-	8,850
Office rent	3,000	5,916	66,684	75,600	-	-	75,600
Equipment lease	-	497	5,607	6,104	-	-	6,104
Supplies	426	952	10,728	12,106	-	-	12,106
Small equipment	-	163	1,839	2,002	-	-	2,002
Computer services	-	935	10,537	11,472	-	-	11,472
Cleaning	-	284	3,206	3,490	-	-	3,490
Telephone	280	1,488	16,777	18,545	-	-	18,545
Utilities	-	113	1,275	1,388	-	-	1,388
Postage	5	56	637	698	-	-	698
Advertising	3,658	-	-	3,658	-	597	4,255
Travel and meals	-	-	8,421	8,421	-	-	8,421
Conferences and meetings	181	199	2,246	2,626	-	-	2,626
Insurance	-	1,881	21,206	23,087	-	-	23,087
Licenses and fees	-	136	1,536	1,672	-	-	1,672
Dues and subscriptions	-	729	8,217	8,946	-	-	8,946
Publications and books	-	32	358	390	-	-	390
Depreciation	-	64	724	788	-	-	788
Bank charges	-	153	1,727	1,880	-	-	1,880
Bad debt expense	-	1,113	12,551	13,664	-	-	13,664
Miscellaneous	-	14	163	177	-	-	177
	<u>\$ 35,325</u>	<u>\$ 63,213</u>	<u>\$ 720,967</u>	<u>\$ 819,505</u>	<u>\$ 84,369</u>	<u>\$ 7,898</u>	<u>\$ 911,772</u>

The accompanying notes are an integral part of this statement.

**ABC Counseling & Family Services, Inc.**  
**STATEMENT OF CASH FLOWS**  
**Year ended June 30, 2022**

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**Cash flows from operating activities**

Change in net assets	\$ 105,178
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	788
Net loss on investments	6,330
Bad debt expense	13,664
Change in assets and liabilities	
Contract receivables	(7,664)
Prepaid expenses	(2,076)
Accounts payable	(402)
Deferred revenue	48,500
Accrued liabilities	<u>(3,921)</u>
Net cash provided by operating activities	160,397

**Cash flows from investing activities**

Purchase of investments	<u>(728)</u>
Net cash used in investing activities	(728)

**Cash flows from financing activities**

Debt extinguishment	<u>(143,022)</u>
Net cash used in financing activities	<u>(143,022)</u>
Increase in cash and cash equivalents	16,647

<b>Cash and cash equivalents at beginning of year</b>	<u>245,042</u>
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<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 261,689</u></u>
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The accompanying notes are an integral part of this statement.



**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE A | SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Nature of Operations*

ABC Counseling & Family Services, Inc. (ABC) is an Illinois not-for-profit corporation. The objective of ABC is to provide adoption and counseling services to individuals and agencies within the state of Illinois in accordance with Illinois law. The purpose of the organization includes provision of education, counseling, and assistance to serve the needs of families and children and employed staff without regard for race, religion, sex, or ethnic origin.

ABC has contracts with the Illinois Department of Children and Family Services (DCFS) to offer counseling to any individual or family in which there is an indicated case or suspected case of child sexual abuse and where there is juvenile and/or criminal court action mandating treatment services by DCFS.

*2. Financial Statement Presentation*

The financial statements of ABC have been prepared on the accrual basis of accounting.

ABC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, or permanently, in which the donor has stipulated the funds be maintained in perpetuity.

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE A | SUMMARY OF ACCOUNTING POLICIES**

*2. Financial Statement Presentation*

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 donor restrictions.

*3. Cash and Cash Equivalents*

For purposes of reporting cash flows, ABC considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. ABC had no cash equivalents at June 30, 2022.

*4. Contract Receivables*

ABC carries its accounts receivable at cost. The allowance is based on historical experience and management's analysis of specific accounts. Bad debts are comprised of uncollected payments. The write-offs are charged to current year operations in the year they are deemed uncollectable.

*5. Investments*

ABC invests in equity securities with readily determinable fair values, which are reported at their fair values in the statement of financial position. Investment income or loss and realized and unrealized gains and losses are included in the statement of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions based on donor-imposed restrictions. Donated investments are recorded at fair market value at the date of donation.

*6. Property and Equipment*

Property and equipment are stated at cost. Items purchased that exceed \$ 2,500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The useful lives adopted for the purpose of computing depreciation are:

Equipment	5 - 10 years
Furniture and fixtures	5 - 7 years

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE A | SUMMARY OF ACCOUNTING POLICIES**

*7. Revenue Recognition*

Program service fees are charges for adoption, home study, and counseling services conducted by ABC's staff and are based on a schedule of rates. Fees for adoption are recognized when placement of a child with a family occurs. Fees for home study are recognized at a point in time as services are provided. Fees for counseling services are recognized at a point in time as services are provided. Individuals are not charged for cancellations or missed counseling sessions. ABC does not have any significant revenue streams that would require revenue to be recognized over time, and ABC does not have any significant revenue streams that are subject to variable consideration.

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

ABC recognizes grant awards with performance obligations at the time the performance obligations are met. Revenues collected in advance for grant awards are deferred and recorded in income when the performance obligation is met.

Beginning and ending contract receivables and liability were as follows:

<u>2022</u>	<u>July 1, 2021</u>	<u>June 30, 2022</u>
Contract receivables		
Service fees receivables	\$ 111,941	\$ 105,941
Allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
Service fees receivables, net	<u>\$ 106,941</u>	<u>\$ 100,941</u>
Contract liability		
Deferred grant revenue	<u>\$ -</u>	<u>\$ 48,500</u>

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE A | SUMMARY OF ACCOUNTING POLICIES**

*8. Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates of time and effort.

*9. Advertising*

Advertising costs are charged to operations when incurred. Advertising expenses totaled \$ 4,255 for the fiscal year ended June 30, 2022.

*10. Use of Estimates*

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

*11. Tax Exempt Status*

ABC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

ABC has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. ABC is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date. Penalties and interest assessed by taxing authorities are included in management and general expenses, if applicable. There were no interest or penalties paid during fiscal year 2022.

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE A | SUMMARY OF ACCOUNTING POLICIES**

*12. Subsequent Events*

Management has evaluated subsequent events for recognition and disclosure in the financial statements through December 8, 2022, which is the date the financial statements were available to be issued. Through December 8, 2022, no subsequent events required recognition or disclosure in the financial statements.

*13. Future Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)* (Lease Update), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. The Lease Update is effective for annual periods beginning after December 15, 2021 and requires a modified retrospective approach to adoption. ABC is assessing the potential impact of this standard on its operations and financial statements.

**NOTE B | INVESTMENTS**

Investments are stated at market value in the statement of financial position and consist of the following at June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 64,211	\$ 64,284
Common stock	<u>1,658</u>	<u>5,145</u>
Total	<u>\$ 65,869</u>	<u>\$ 69,429</u>

Investment income consisted of the following for the year ended June 30, 2022:

Interest	\$ 78
Dividends	<u>825</u>
	<u>\$ 903</u>

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE C | FAIR VALUE MEASUREMENTS**

ABC follows the fair value measurement guidance for financial assets and financial liabilities. The guidance defines fair value, establishes a framework for measuring value and expands disclosure about fair value measurements. In addition, the guidance permits an entity to measure eligible financial instruments and other items at fair value. ABC has not made any fair value elections.

Fair value is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 - Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 - Valuation is derived from unobservable inputs that are not corroborated by market data.

Fair values of equity securities have been determined by quoted market prices as determined by ABC's custodian.

The following table presents ABC's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 64,284	\$ 64,284	\$ -	\$ -
Common stock	<u>5,145</u>	<u>5,145</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,429</u>	<u>\$ 69,429</u>	<u>\$ -</u>	<u>\$ -</u>

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE D | LINE OF CREDIT**

ABC has a line of credit of \$ 100,000 at Morton Community Bank. The line has a fixed interest rate of 3.75% with a maturity date of March 21, 2023. ABC had no balance outstanding at June 30, 2022.

**NOTE E | LEASE COMMITMENTS**

ABC leases an office at 705 E. Lincoln, Suite 303, in Normal, Illinois. On May 31, 2022, the existing lease was extended an additional 5 years with monthly rental payments of \$ 2,350.

ABC leases an office at 2160 S. 6th Street in Springfield, Illinois. On July 25, 2017, the existing lease was extended an additional five years with monthly rental payments of \$ 1,400.

ABC leases an office at 1800 Woodfield Drive, Suite B, in Savoy, Illinois. The lease, commencing on November 1, 2017, is a five-year lease with monthly rental payments of \$ 1,500.

ABC leases an office at 111 W. Washington, Suite 410B, in East Peoria, Illinois. The lease, commencing on November 15, 2017, is a five-year lease with monthly rental payments of \$ 950. ABC began leasing additional space starting August 1, 2020, increasing monthly rent to \$ 1,150. A new lease commencing on November 1, 2022, is a three-year lease with monthly payments of \$1,550.

ABC leases a Honda Civic from O'Brien Honda Dealership in Bloomington, Illinois. The lease commencing on September 17, 2021, is a three-year lease with monthly rental payments of \$ 284.

At June 30, 2022, future minimum lease payments due under non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

2023	\$	57,610
2024		50,210
2025		47,937
2026		34,400
2027		28,200

**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE F | RETIREMENT PLAN**

ABC sponsors a defined contribution plan that covers all employees who have completed one year of service, earned greater than \$ 5,000 in the previous year, and are reasonably expected to earn \$ 5,000 during the current year. ABC matches 100% of the employee's contribution up to 3% of the employee's salary. The amount of matching contributions included in employee benefits expense for the year ended June 30, 2022 was \$ 9,259.

**NOTE G | CONCENTRATION OF CREDIT RISK**

ABC maintains cash balances at a financial institution located in the area. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$ 250,000, though at times the balances may exceed the Federally insured limits. ABC has not experienced any losses in such accounts as of June 30, 2022, and through the date of this report.

**NOTE H | CONCENTRATIONS**

ABC receives a substantial amount of its support from DCFS and YouthCare. A significant reduction in the level of this support, if it were to occur, may have a significant effect on ABC's programs and activities. Revenue from DCFS and YouthCare for the year ended June 30, 2022 was \$ 65,889 and \$ 199,782, respectively, representing approximately 6% and 20%, respectively, of total revenues.

Amounts receivable from DCFS and YouthCare on June 30, 2022 were \$ 16,910 and \$ 14,329, respectively, which accounts for 16% and 14% of net contract receivables, respectively.

**NOTE I | NET ASSETS WITH DONOR RESTRICTIONS**

ABC's restricted net assets are available for the following purposes as of June 30, 2022:

Ed Willard Scholarship Fund	\$ 75,363
American Girl Doll Grant	<u>4,138</u>
Total net assets with donor restrictions	<u>\$ 79,501</u>



**ABC Counseling & Family Services, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE J | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects ABC's financial assets as of June 30, 2022 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash	\$ 261,689
Contract receivables	100,941
Investments	<u>69,429</u>
Financial assets at year-end	432,059
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	<u>79,501</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 352,558</u>

ABC's goal is to structure its financial assets to be available to meet the obligations to programs and supporting services of the organization. Cash in excess of near-term obligations is invested to generate additional income for program and general expenses. Investments are liquid and are available to be sold should cash needs arise. Additionally, ABC has a line of credit available.

**NOTE K | DEFERRED REVENUE**

On May 12, 2022, the Organization was granted \$ 48,500 via the City of Bloomington-John M. Scott grant funding program. This program is intended to provide funding for organizations to support mental health services for children. As the Organization anticipates this funding will be utilized during the year ending June 30, 2023 in accordance with the funding agreement, the grant has been classified as deferred revenue on the statement of financial position.

**NOTE L | GOVERNMENT GRANT**

On February 2, 2021, ABC was granted a loan from Morton Community Bank in the aggregate amount of \$ 143,022 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. This loan was fully forgiven in August 2021 and is recognized in the Statement of Activities and Changes in Net Assets as a government grant for the year ended June 30, 2022.