

LYDIA HOME ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2010 and 2009

GAIL L. MATHEWS & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
800 ROOSEVELT ROAD
BUILDING C, SUITE 202
GLEN ELLYN, ILLINOIS 60137
(630) 793-9390

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lydia Home Association

We have audited the accompanying statement of financial position of Lydia Home Association (the Association) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Lydia Home Association as of June 30, 2009 and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those statements in their report dated October 29, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Lydia Home Association as of June 30, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010 on our consideration of Lydia Home Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the

GAIL L. MATHEWS & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gail L. Mathews & Associates LLC

Glen Ellyn, Illinois
November 17, 2010

LYDIA HOME ASSOCIATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2010 and 2009

	2010	2009
Assets		
Cash	\$ 930,292	\$ 597,461
Receivables:		
Due from State of Illinois - Department of Children and Family Services	232,369	278,909
Other	277,576	117,406
Investments	745,983	847,067
Prepaid expenses	139,071	142,345
Land, buildings and equipment, net	1,021,910	1,089,696
Total assets	\$ 3,347,201	\$ 3,072,884
Liabilities and Net Assets		
Accounts payable	\$ 564,984	\$ 514,386
Accrued vacation pay	242,387	201,279
Deferred revenue	191,348	219,197
Note payable	5,999	14,146
Total	1,004,718	949,008
Net assets:		
Unrestricted net assets	1,870,300	1,875,355
Temporarily restricted net assets	472,183	248,521
Total net assets	2,342,483	2,123,876
Total liabilities and net assets	\$ 3,347,201	\$ 3,072,884

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENTS OF ACTIVITIES
for the years ended June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Department of Children and Family Services						
Residential	\$ 4,056,979		\$ 4,056,979	\$ 4,001,012		\$ 4,001,012
Foster care	1,017,416		1,017,416	1,089,392		1,089,392
Other government grants	902,026		902,026	798,633		798,633
Program services fees	569,653		569,653	591,263		591,263
Milk and Lunch program	44,993		44,993	38,278		38,278
Contributions and bequests	927,901	360,145	1,288,046	1,591,455	135,147	1,726,602
Special events	295,673		295,673	201,255		201,255
Investment income	96,688	1,199	97,887	(194,114)	1,344	(192,770)
Other revenue	19,358		19,358	16,029		16,029
Net assets released from restrictions	<u>137,682</u>	<u>(137,682)</u>		<u>287,640</u>	<u>(287,640)</u>	
Total revenues, gains and other support	<u>8,068,369</u>	<u>223,662</u>	<u>8,292,031</u>	<u>8,420,843</u>	<u>(151,149)</u>	<u>8,269,694</u>
Expenses:						
Program services:						
Residential	4,232,329		4,232,329	4,089,434		4,089,434
Child daycare	267,542		267,542	309,176		309,176
Foster care	1,039,508		1,039,508	1,180,203		1,180,203
Urban Academies	390,643		390,643	332,295		332,295
Safe Families	704,747		704,747	641,256		641,256
Other	<u>1,143,229</u>		<u>1,143,229</u>	<u>1,161,899</u>		<u>1,161,899</u>
Total program services	<u>7,777,998</u>		<u>7,777,998</u>	<u>7,714,263</u>		<u>7,714,263</u>
Supporting services:						
Management and general	6,043		6,043	6,544		6,544
Fund raising	<u>289,383</u>		<u>289,383</u>	<u>306,662</u>		<u>306,662</u>
Total supporting services	<u>295,426</u>		<u>295,426</u>	<u>313,206</u>		<u>313,206</u>
Total expenses	<u>8,073,424</u>		<u>8,073,424</u>	<u>8,027,469</u>		<u>8,027,469</u>
Change in net assets	(5,055)	223,662	218,607	393,374	(151,149)	242,225
Net assets at beginning of year	<u>1,875,355</u>	<u>248,521</u>	<u>2,123,876</u>	<u>1,481,981</u>	<u>399,670</u>	<u>1,881,651</u>
Net assets at end of year	<u>\$ 1,870,300</u>	<u>\$ 472,183</u>	<u>\$ 2,342,483</u>	<u>\$ 1,875,355</u>	<u>\$ 248,521</u>	<u>\$ 2,123,876</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2010

	Program Services						Supporting Services		
	Residential	Child daycare	Foster care	Urban Academies	Safe Families	Other	Management and general	Fund Raising	Total
Employee compensation:									
Salaries	\$ 2,555,927	\$ 141,126	\$ 375,648	\$ 234,226	\$ 360,437	\$ 663,682	\$ 302,456	\$ 162,872	\$ 4,796,374
Payroll taxes and employee benefits	<u>437,114</u>	<u>29,255</u>	<u>62,798</u>	<u>35,561</u>	<u>62,566</u>	<u>132,736</u>	<u>83,139</u>	<u>33,735</u>	<u>876,904</u>
Total employee compensation	2,993,041	170,381	438,446	269,787	423,003	796,418	385,595	196,607	5,673,278
Occupancy	211,449	9,419	46,805	2,348	13,212	31,431	93,237	243	408,144
Supplies	226,106	12,486	7,536	30,470	24,621	70,273	19,887	5,453	396,832
Specific assistance to individuals	122,440		111,038	103	19,185	39,499		49	292,314
Foster parent payments			304,012						304,012
Transportation	111,487	86	19,505	414	31,489	10,611	1,544	1,618	176,754
Rent	8,391	100	240	21,008	14	14,641	(157)	3	44,240
Operational support	36,093	1,285	13,685	11,884	33,060	38,828	100,704	14,083	249,622
Contractual employees/consultants	55,074			830	89,829	47,202	38,432	10,265	241,632
Miscellaneous	<u>20,696</u>	<u>37,937</u>	<u>2,103</u>	<u>16,800</u>	<u>2,798</u>	<u>26,655</u>	<u>6,041</u>	<u>61,062</u>	<u>174,092</u>
Total direct expenses before depreciation of buildings and equipment	3,784,777	231,694	943,370	353,644	637,211	1,075,558	645,283	289,383	7,960,920
Depreciation of buildings and equipment	<u>43,154</u>	<u>13,781</u>	<u>25,486</u>	<u>1,066</u>	<u>67</u>	<u>3,278</u>	<u>25,672</u>		<u>112,504</u>
Total direct expenses	<u>3,827,931</u>	<u>245,475</u>	<u>968,856</u>	<u>354,710</u>	<u>637,278</u>	<u>1,078,836</u>	<u>670,955</u>	<u>289,383</u>	<u>8,073,424</u>
Management and general									
Salary and benefits	257,892	14,073	45,056	22,915	43,026	41,065	(424,027)		
Administrative	130,892	7,142	22,868	11,631	21,838	20,842	(215,213)		
Other	<u>15,614</u>	<u>852</u>	<u>2,728</u>	<u>1,387</u>	<u>2,605</u>	<u>2,486</u>	<u>(25,672)</u>		
Total indirect expenses	<u>404,398</u>	<u>22,067</u>	<u>70,652</u>	<u>35,933</u>	<u>67,469</u>	<u>64,393</u>	<u>(664,912)</u>		
Total expenses	<u>\$ 4,232,329</u>	<u>\$ 267,542</u>	<u>\$ 1,039,508</u>	<u>\$ 390,643</u>	<u>\$ 704,747</u>	<u>\$ 1,143,229</u>	<u>\$ 6,043</u>	<u>\$ 289,383</u>	<u>\$ 8,073,424</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2009

	Program Services						Supporting Services		
	Residential	Child daycare	Foster care	Urban Academies	Safe Families	Other	Management and general	Fund Raising	Total
Employee compensation:									
Salaries	\$ 2,357,393	\$ 164,831	\$ 429,283	\$ 196,030	\$ 300,598	\$ 672,175	\$ 305,223	\$ 169,022	\$ 4,594,555
Payroll taxes and employee benefits	<u>434,691</u>	<u>37,027</u>	<u>80,111</u>	<u>32,582</u>	<u>54,958</u>	<u>137,956</u>	<u>111,234</u>	<u>36,218</u>	<u>924,777</u>
Total employee compensation	2,792,084	201,858	509,394	228,612	355,556	810,131	416,457	205,240	5,519,332
Occupancy	197,922	5,838	50,265	2,683	9,680	24,161	117,685	480	408,714
Supplies	240,322	4,286	8,088	21,053	11,504	38,232	32,971	6,147	362,603
Specific assistance to individuals	166,795	5,355	143,565	435	25,196	35,174	240	226	376,986
Foster parent payments			294,932						294,932
Transportation	127,847	214	32,795	819	27,561	10,108	1,763	2,934	204,041
Rent	8,707	159	879	20,215	41	11,031	196	13	41,241
Operational support	33,079	2,229	15,943	9,818	22,454	54,499	86,229	23,744	247,995
Contractual employees/consultants	18,680			660	60,151	62,874	77,678	10,600	230,643
Miscellaneous	<u>15,470</u>	<u>46,664</u>	<u>1,703</u>	<u>12,716</u>	<u>66,022</u>	<u>27,182</u>	<u>3,487</u>	<u>56,728</u>	<u>229,972</u>
Total direct expenses before depreciation of buildings and equipment	3,600,906	266,603	1,057,564	297,011	578,165	1,073,392	736,706	306,112	7,916,459
Depreciation of buildings and equipment	<u>41,739</u>	<u>13,781</u>	<u>25,738</u>	<u>233</u>		<u>6,266</u>	<u>22,703</u>	<u>550</u>	<u>111,010</u>
Total direct expenses	<u>3,642,645</u>	<u>280,384</u>	<u>1,083,302</u>	<u>297,244</u>	<u>578,165</u>	<u>1,079,658</u>	<u>759,409</u>	<u>306,662</u>	<u>8,027,469</u>
Management and general									
Salary and benefits	293,076	18,886	63,563	22,992	41,385	53,948	(493,850)		
Administrative	140,356	9,045	30,441	11,011	19,820	25,834	(236,507)		
Other	<u>13,357</u>	<u>861</u>	<u>2,897</u>	<u>1,048</u>	<u>1,886</u>	<u>2,459</u>	<u>(22,508)</u>		
Total indirect expenses	<u>446,789</u>	<u>28,792</u>	<u>96,901</u>	<u>35,051</u>	<u>63,091</u>	<u>82,241</u>	<u>(752,865)</u>		
Total expenses	<u>\$ 4,089,434</u>	<u>\$ 309,176</u>	<u>\$ 1,180,203</u>	<u>\$ 332,295</u>	<u>\$ 641,256</u>	<u>\$ 1,161,899</u>	<u>\$ 6,544</u>	<u>\$ 306,662</u>	<u>\$ 8,027,469</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 218,607	\$ 242,225
Change in unrealized and realized appreciation on investments	(77,002)	200,101
Loss on disposition of equipment	345	
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used) by operating activities		
Depreciation	112,504	111,010
Changes in assets and liabilities:		
Receivables	(113,630)	106,265
Prepaid expenses	3,274	(27,557)
Accounts payable and accrued expenses	91,706	(33,432)
Deferred revenue	<u>(27,849)</u>	<u>50,661</u>
Net cash provided by operating activities	<u>207,955</u>	<u>649,273</u>
Cash flows from investing activities		
Additions to land, buildings, and equipment	(45,063)	(44,575)
Purchase of investments	(334,057)	(781,508)
Proceeds from sales of investments	<u>512,143</u>	<u>775,682</u>
Net cash provided (used) by investing activities	<u>133,023</u>	<u>(50,401)</u>
Cash flows from financing activities		
Payments on borrowings	<u>(8,147)</u>	<u>(271,016)</u>
Net cash (used) by financing activities	<u>(8,147)</u>	<u>(271,016)</u>
Net increase in cash	332,831	327,856
Cash balance at beginning of year	<u>597,461</u>	<u>269,605</u>
Cash balance at end of year	<u>\$ 930,292</u>	<u>\$ 597,461</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 768</u>	<u>\$ 6,347</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - NATURE OF ACTIVITIES

Lydia Home Association (the Association) provides residential and foster care to needy children. The Association also provides day care services for preschool and kindergarten children and counseling.

The organization is supported primarily by the State of Illinois, Department of Children and Family Services. Support is also received from churches, community organizations, foundations, corporations and individuals. Approximately 65% of the association's support for the years ended June 30, 2010 and 2009 came from State of Illinois contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Materials and Services

The Association receives donations of clothing, furniture, equipment, toys and food which are recorded as contributions and expensed in the accompanying financial statements at their estimated fair market value. In kind donations for the years ended June 30, 2010 and 2009 totaled \$191,599 and \$219,452.

During the years ended June 30, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association at the residents' facilities and which do not meet the requirements for recognition in the financial statements.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Land, Buildings and Equipment

Donations of real estate, furniture, fixtures, equipment and vehicles are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful life of the assets.

Fair Value Hierarchy

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the 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 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 under FASB ASC 820 are described as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date;
- Level 2 - Inputs that are quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Hierarchy (Continued)

- Level 3 - Inputs that are unobservable.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the Association's perceived risk of that investment or the categorization of the investment portfolio held by that investment.

Investments

Amounts invested in money market funds are stated at cost plus reinvested interest which approximates fair market value. Investments in the annuity, equities, municipal, corporate and U.S. Treasury bonds are stated at fair market value. Fair values are determined by quoted market prices in active markets at June 30, 2010 and 2009 and are therefore classified within level 1. The cost of investments sold is determined using the specific identification method with realized gains and losses included in investment income. Dividend and interest income are accrued when earned.

Income Taxes

The Association has received a determination letter from the Internal Revenue Service which stated that the Association is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code although it would be subject to tax on income unrelated to its exempt purposes. The Association has been classified as an organization that is not a private foundation under Section 509 (a)(2). The tax years ending June 30, 2007, 2008, 2009 and 2010 are still open to audit for both federal and state purposes. Contributions to the Association are tax deductible to donors under section 170 of the Code.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Lawndale Community PCIT	\$ 8,644	\$ 8,644
Safe Families	282,761	97,568
Romania	21,380	14,743
Equipment	96,143	91,017
International	2,832	2,482
Scholarships	35,266	34,067
Project Music	14,650	
Other	10,507	
	<u>\$ 472,183</u>	<u>\$ 248,521</u>

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 - RESTRICTIONS ON ASSETS (Continued)

Temporarily restricted net assets released from restrictions during 2010 and 2009 were comprised of the following:

	<u>2010</u>	<u>2009</u>
Safe Families	\$ 97,568	\$ 221,134
Abstinence		2,185
Residential		14,973
Ground force - Iowa		750
Rockford Academy		15,000
Romania	14,743	
International		16,822
Equipment	<u>25,371</u>	<u>16,776</u>
	<u>\$ 137,682</u>	<u>\$ 287,640</u>

NOTE 4 - INVESTMENTS

The components of the Association's investments as of June 30, 2010 and 2009 are as follows:

	<u>June 30, 2010</u>		
	<u>Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 4,481	\$ 4,481	
Taxable municipal bonds	134,675	136,277	\$ 1,602
Annuity	45,000	71,918	26,918
Corporate and U.S. Treasury notes	<u>527,674</u>	<u>533,307</u>	<u>5,633</u>
Total	<u>\$ 711,830</u>	<u>\$ 745,983</u>	<u>\$ 34,153</u>

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 - INVESTMENTS (Continued)

	<u>June 30, 2009</u>		
	<u>Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities	\$ 396,218	\$ 441,360	\$ 45,142
Money market funds	3,210	3,210	
Foreign securities	31,902	32,489	587
Taxable municipal bonds	68,633	68,182	(451)
Annuity	45,000	69,472	24,472
Corporate and U.S. Treasury notes	<u>231,360</u>	<u>232,354</u>	<u>994</u>
 Total	 <u>\$ 776,323</u>	 <u>\$ 847,067</u>	 <u>\$ 70,744</u>

Investment return for the years ended June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Dividends and interest net of fees of \$2,573 and \$6,318, respectively	<u>\$ 20,885</u>	<u>\$ 7,332</u>
Realized gain (loss)	113,593	(187,071)
Unrealized (loss)	<u>(36,591)</u>	<u>(13,031)</u>
Net (loss)	<u>77,002</u>	<u>(200,102)</u>
 Total investment return on investments	 <u>\$ 97,887</u>	 <u>\$ (192,770)</u>

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 5 - PROPERTY AND EQUIPMENT

Land, buildings and equipment consist of:

	<u>2010</u>	<u>2009</u>
Land and buildings	\$ 3,166,011	\$ 3,161,131
Furniture and fixtures	723,432	715,945
Automobiles	<u>219,583</u>	<u>247,304</u>
	4,109,026	4,124,380
Less accumulated depreciation	<u>3,087,116</u>	<u>3,034,684</u>
	<u>\$ 1,021,910</u>	<u>\$ 1,089,696</u>

Depreciation expense was \$112,504 for the year ended June 30, 2010 and \$111,010 for the year ended June 30, 2009.

In 2003, the Association received a grant in the form of a housing unit. In exchange for the property the Association has entered into an Operating Agreement and agreed to, among other things, use the property in a program to provide certain foster care services for a term of 10 years. Furthermore, during the term of the Operating Agreement, in the event the Association is unable or unwilling to continue to operate the property in accordance with the terms and conditions of the Operating Agreement and all licensing standards of the Department of Children and Family Services (DCFS) or if the license issued by DCFS is revoked or suspended, the grantor has the right to compel the Association to convey the property to another entity. At June 30, 2010, this property is included in the statement of financial position in land, buildings and equipment, net at its carrying value of \$250,000 net of \$50,000 accumulated depreciation.

NOTE 6 - BENEFIT PLAN

In 2009, the Association established a 401(k) Plan in which substantially all employees having attained age 21 may participate. Employees may contribute a portion of their compensation (the salary deferral) subject to certain limits based on federal tax laws. The Association's discretionary matching contributions are to be based on a uniform percentage of the employee's salary deferral not to exceed a certain dollar amount or a certain percentage. Matching contributions vest to the employee after completion of three years of service or upon death, disability or normal retirement. There were no expenses attributable to the Plan for 2010 and 2009.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 - RELATED - PARTY TRANSACTIONS

The Association entered into various transactions with individuals or organizations in which certain Board members or employees have a direct or indirect interest. The total value of these transactions in 2010 was \$51,806 and in 2009 was \$17,556, all of which was expensed.

NOTE 8 - NOTES PAYABLE

The Association's obligation at June 30, 2010 under terms of notes payable consists of:

Note payable to a bank, due in 60 monthly installments of \$340 including interest with a final payment due September 2010, bearing interest at 6.43% collateralized by a vehicle.	\$ 1,014
Note payable to a bank, due in 60 monthly installments of \$403 including interest with a final payment due July 2011, bearing interest at 7.59% collateralized by a vehicle.	<u>4,985</u> <u>\$ 5,999</u>

The future schedule maturities of the notes payable are as follows:

	Year ending June 30
2011	5,627
2012	<u>372</u>
	<u>\$ 5,999</u>

NOTE 10 - SUBSEQUENT EVENT

Subsequent events have been evaluated for recognition in the 2010 financial statements through November 17, 2010, the date on which the financial statements were available to be issued.

Independent Auditor's Report
On Supplementary Statements of Functional Expenses

Our report on our audit of the basic financial statements of Lydia Home Association for the year ended June 30, 2010 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary statements of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information for 2010 has been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary statements of functional expenses for the year ended 2009 were subjected to the auditing procedures applied in the audit of the basic 2009 financial statements which were audited by other auditors who have ceased operations. Those auditors expressed an opinion that those supplementary statements are fairly stated in all material respects in relation to the basic 2009 financial statements taken as a whole.

Gail L. Mathews & Associates LLC

Glen Ellyn, Illinois
November 17, 2010

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - RESIDENTIAL
for the year ended June 30, 2010

	Resident child care	Education	Total
	<u> </u>	<u> </u>	<u> </u>
Employee compensation:			
Salaries	\$ 2,548,127	\$ 7,800	\$ 2,555,927
Payroll taxes and employee benefits	<u>435,543</u>	<u>1,571</u>	<u>437,114</u>
Total employee compensation	2,983,670	9,371	2,993,041
Occupancy	211,449		211,449
Supplies	226,106		226,106
Specific assistance to individuals	122,440		122,440
Transportation	111,394	93	111,487
Rent	8,391		8,391
Operational support	35,629	464	36,093
Contractual employees/consultants	55,074		55,074
Miscellaneous	<u>20,696</u>		<u>20,696</u>
Total direct expenses before depreciation of buildings and equipment	3,774,849	9,928	3,784,777
Depreciation of buildings and equipment	<u>43,154</u>		<u>43,154</u>
Total direct expenses	<u>3,818,003</u>	<u>9,928</u>	<u>3,827,931</u>
Management and general			
Salary and benefits	257,218	674	257,892
Administrative	130,550	342	130,892
Other	<u>15,573</u>	<u>41</u>	<u>15,614</u>
Total indirect expenses	<u>403,341</u>	<u>1,057</u>	<u>404,398</u>
Total expenses	<u>\$ 4,221,344</u>	<u>\$ 10,985</u>	<u>\$ 4,232,329</u>

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - RESIDENTIAL
for the year ended June 30, 2009

	<u>Resident child care</u>	<u>Education</u>	<u>Total</u>
Employee compensation:			
Salaries	\$ 2,349,739	\$ 7,654	\$ 2,357,393
Payroll taxes and employee benefits	<u>433,320</u>	<u>1,371</u>	<u>434,691</u>
Total employee compensation	2,783,059	9,025	2,792,084
Occupancy	197,922		197,922
Supplies	240,199	123	240,322
Specific assistance to individuals	166,795		166,795
Transportation	127,664	183	127,847
Rent	8,707		8,707
Operational support	32,541	538	33,079
Contractual employees/consultants	18,680		18,680
Miscellaneous	<u>15,470</u>		<u>15,470</u>
Total direct expenses before depreciation of buildings and equipment	3,591,037	9,869	3,600,906
Depreciation of buildings and equipment	<u>41,739</u>		<u>41,739</u>
Total direct expenses	<u>3,632,776</u>	<u>9,869</u>	<u>3,642,645</u>
Management and general			
Salary and benefits	292,278	798	293,076
Administrative	139,974	382	140,356
Other	<u>13,321</u>	<u>36</u>	<u>13,357</u>
Total indirect expenses	<u>445,573</u>	<u>1,216</u>	<u>446,789</u>
Total expenses	<u>\$ 4,078,349</u>	<u>\$ 11,085</u>	<u>\$ 4,089,434</u>

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - FOSTER CARE
for the year ended June 30, 2010

	<u>Traditional</u>	<u>Adolescent</u>	<u>Special Treatment</u>	<u>Total</u>
Employee compensation:				
Salaries	\$ 241,110	\$ 16,520	\$ 118,018	\$ 375,648
Payroll taxes and employee benefits	<u>40,657</u>	<u>2,169</u>	<u>19,972</u>	<u>62,798</u>
Total employee compensation	281,767	18,689	137,990	438,446
Occupancy	33,901	959	11,945	46,805
Supplies	5,119	232	2,185	7,536
Specific assistance to individuals	95,545	655	14,838	111,038
Foster parent payments	208,125	2,183	93,704	304,012
Transportation	12,987	444	6,074	19,505
Rent	157	1	82	240
Operational support	9,243	273	4,169	13,685
Miscellaneous	<u>1,359</u>	<u>46</u>	<u>698</u>	<u>2,103</u>
Total direct expenses before depreciation of buildings and equipment	648,203	23,482	271,685	943,370
Depreciation of buildings and equipment	<u>18,227</u>	<u>308</u>	<u>6,951</u>	<u>25,486</u>
Total direct expenses	<u>666,430</u>	<u>23,790</u>	<u>278,636</u>	<u>968,856</u>
Management and general				
Salary and benefits	31,100	1,462	12,494	45,056
Administrative	15,785	742	6,341	22,868
Other	<u>1,883</u>	<u>89</u>	<u>756</u>	<u>2,728</u>
Total indirect expenses	<u>48,768</u>	<u>2,293</u>	<u>19,591</u>	<u>70,652</u>
Total expenses	<u>\$ 715,198</u>	<u>\$ 26,083</u>	<u>\$ 298,227</u>	<u>\$ 1,039,508</u>

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - FOSTER CARE
for the year ended June 30, 2009

	<u>Traditional</u>	<u>Adolescent</u>	<u>Special Treatment</u>	<u>Total</u>
Employee compensation:				
Salaries	\$ 271,130	\$ 31,597	\$ 126,557	\$ 429,284
Payroll taxes and employee benefits	<u>51,904</u>	<u>4,290</u>	<u>23,917</u>	<u>80,111</u>
Total employee compensation	323,034	35,887	150,474	509,395
Occupancy	35,346	2,629	12,290	50,265
Supplies	5,610	247	2,231	8,088
Specific assistance to individuals	130,606	1,571	11,389	143,566
Foster parent payments	191,072	3,822	100,038	294,932
Transportation	22,366	1,036	9,393	32,795
Rent	572	32	274	878
Operational support	10,651	697	4,595	15,943
Miscellaneous	<u>1,581</u>	<u>13</u>	<u>109</u>	<u>1,703</u>
Total direct expenses before depreciation of buildings and equipment	720,838	45,934	290,793	1,057,565
Depreciation of buildings and equipment	<u>18,374</u>	<u>551</u>	<u>6,812</u>	<u>25,737</u>
Total direct expenses	<u>739,212</u>	<u>46,485</u>	<u>297,605</u>	<u>1,083,302</u>
Management and general				
Salary and benefits	44,161	3,446	15,956	63,563
Administrative	21,148	1,651	7,642	30,441
Other	<u>2,013</u>	<u>157</u>	<u>727</u>	<u>2,897</u>
Total indirect expenses	<u>67,322</u>	<u>5,254</u>	<u>24,325</u>	<u>96,901</u>
Total expenses	<u>\$ 806,534</u>	<u>\$ 51,739</u>	<u>\$ 321,930</u>	<u>\$ 1,180,203</u>

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - OTHER
for the year ended June 30, 2010

	Doula/ Healthy Families	Abstinence	International Projects	Quad Cities	Community Counseling	Total
Employee compensation:						
Salaries	\$ 148,648	\$ 263,646	\$ 35,730	\$ 39,924	\$ 175,734	\$ 663,682
Payroll taxes and employee benefits	<u>33,208</u>	<u>51,274</u>	<u>13,375</u>	<u>7,213</u>	<u>27,666</u>	<u>132,736</u>
Total employee compensation	181,856	314,920	49,105	47,137	203,400	796,418
Occupancy	4,242	12,859	4,107	9,467	756	31,431
Supplies	10,982	52,210	1,636	4,247	1,198	70,273
Specific assistance to individuals	24,228		15,271			39,499
Transportation	811	2,370	6,216	845	369	10,611
Rent	14,600	30			11	14,641
Operational support	10,595	13,301	4,363	6,022	4,547	38,828
Contractual employees/consultants		47,202				47,202
Miscellaneous	<u>675</u>		<u>349</u>	<u>65</u>	<u>25,566</u>	<u>26,655</u>
Total direct expenses before depreciation of buildings and equipment	247,989	442,892	81,047	67,783	235,847	1,075,558
Depreciation of buildings and equipment		98		3,110	70	3,278
Total direct expenses	<u>247,989</u>	<u>442,990</u>	<u>81,047</u>	<u>70,893</u>	<u>235,917</u>	<u>1,078,836</u>
Management and general						
Salary and benefits	16,771	3,682	1,544	4,803	14,265	41,065
Administrative	8,512	1,869	783	2,438	7,240	20,842
Other	<u>1,015</u>	<u>223</u>	<u>93</u>	<u>291</u>	<u>864</u>	<u>2,486</u>
Total indirect expenses	<u>26,298</u>	<u>5,774</u>	<u>2,420</u>	<u>7,532</u>	<u>22,369</u>	<u>64,393</u>
Total expenses	<u>\$ 274,287</u>	<u>\$ 448,764</u>	<u>\$ 83,467</u>	<u>\$ 78,425</u>	<u>\$ 258,286</u>	<u>\$ 1,143,229</u>

LYDIA HOME ASSOCIATION
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES - OTHER
for the year ended June 30, 2009

	Doula/ Healthy Families	Abstinence	International Projects	Quad Cities	Community Counseling	Total
Employee compensation:						
Salaries	\$ 153,988	\$ 267,013	\$ 37,413	\$ 41,709	\$ 172,052	\$ 672,175
Payroll taxes and employee benefits	<u>33,866</u>	<u>54,969</u>	<u>15,970</u>	<u>8,771</u>	<u>24,380</u>	<u>137,956</u>
Total employee compensation	187,854	321,982	53,383	50,480	196,432	810,131
Occupancy	1,622	12,145	1,286	8,370	738	24,161
Supplies	8,044	17,816	9,012	1,740	1,620	38,232
Specific assistance to individuals	25,326		9,848			35,174
Transportation	1,647	2,489	4,108	882	982	10,108
Rent	10,875	98			58	11,031
Operational support	14,546	22,084	7,394	4,517	5,958	54,499
Contractual employees/consultants	500	62,374				62,874
Miscellaneous	<u>1,972</u>	<u>16,549</u>	<u>972</u>	<u>35</u>	<u>7,654</u>	<u>27,182</u>
Total direct expenses before depreciation of buildings and equipment	252,386	455,537	86,003	66,024	213,442	1,073,392
Depreciation of buildings and equipment		98		6,098	70	6,266
Total direct expenses	<u>252,386</u>	<u>455,635</u>	<u>86,003</u>	<u>72,122</u>	<u>213,512</u>	<u>1,079,658</u>
Management and general						
Salary and benefits	20,352	9,439	1,692	5,826	16,639	53,948
Administrative	9,747	4,520	811	2,790	7,966	25,834
Other	928	430	77	265	759	2,459
Total indirect expenses	<u>31,027</u>	<u>14,389</u>	<u>2,580</u>	<u>8,881</u>	<u>25,364</u>	<u>82,241</u>
Total expenses	<u>\$ 283,413</u>	<u>\$ 470,024</u>	<u>\$ 88,583</u>	<u>\$ 81,003</u>	<u>\$ 238,876</u>	<u>\$ 1,161,899</u>