

**Lydia Home Association  
Consolidated Audit Report  
For the Year Ended June 30, 2017**

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# Selden Fox

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lydia Home Association  
Chicago, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of **Lydia Home Association** which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 financial statements referred to above present fairly, in all material respects, the financial position of Lydia Home Association as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matter***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 15 through 20 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, 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 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 Lydia Home Association's internal control over financial reporting and compliance.

*Selden Fox, Ltd.*

February 20, 2018

**Lydia Home Association  
Consolidated Statement of Financial Position  
June 30, 2017**

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**Assets**

Cash	\$ 543,524
Investments	781,750
Accounts receivable:	
Government fees and grants	481,533
Pledges	128,561
Other	57,553
Prepaid expenses	109,074
Property and equipment, net	<u>997,249</u>
<b>Total assets</b>	<b><u>\$ 3,099,244</u></b>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable	\$ 231,474
Accrued wages and benefits	599,633
Line of credit	<u>153,224</u>
<b>Total liabilities</b>	<b><u>984,331</u></b>
Net assets:	
Unrestricted	282,536
Temporarily restricted	<u>1,832,377</u>
<b>Total net assets</b>	<b><u>2,114,913</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,099,244</u></b>

See accompanying notes and independent auditor's report.

**Lydia Home Association**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues:</b>			
Contributions:			
Cash	\$ 1,906,341	\$ 1,005,541	\$ 2,911,882
Acquisition of Safe Families for Children Alliance	18,980	101,916	120,896
Property and in-kind	74,243	-	74,243
Government fees and grants	5,074,099	-	5,074,099
Tuition, licensing, and service fees	589,457	-	589,457
Special events, net	(89,884)	-	(89,884)
Other income	191,979	-	191,979
Investment income	3,469	-	3,469
Net assets released from restrictions	1,218,886	(1,218,886)	-
<b>Total revenues</b>	<b>8,987,570</b>	<b>(111,429)</b>	<b>8,876,141</b>
<b>Expenses:</b>			
Program services:			
Resident child care	4,185,837	-	4,185,837
Foster care	952,261	-	952,261
Day care	237,009	-	237,009
Counseling center	33,810	-	33,810
Lydia Urban Academy Chicago	68,224	-	68,224
Lydia Urban Academy Rockford	200,853	-	200,853
International	102,612	-	102,612
Safe Families chapter operations	2,787,091	-	2,787,091
<b>Total program services</b>	<b>8,567,697</b>	<b>-</b>	<b>8,567,697</b>
Management and general	405,195	-	405,195
Development	472,088	-	472,088
<b>Total expenses</b>	<b>9,444,980</b>	<b>-</b>	<b>9,444,980</b>
Change in net assets	(457,410)	(111,429)	(568,839)
Net assets, beginning of the year	739,946	1,943,806	2,683,752
Net assets, end of the year	<b>\$ 282,536</b>	<b>\$ 1,832,377</b>	<b>\$ 2,114,913</b>

See accompanying notes and independent auditor's report.

**Lydia Home Association**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	Resident Child Care	Foster Care	Day Care	Counseling Center	Lydia Urban Academy Chicago	Lydia Urban Academy Rockford	International	Safe Families Alliance	<b>Total Program Services</b>	Management and General	Development	<b>Total</b>
Wages	\$ 2,338,690	\$ 400,939	\$ 138,562	\$ 15,717	\$ 38,092	\$ 106,527	\$ 40,992	\$ 1,618,870	\$ 4,698,389	\$ 554,598	\$ 244,428	\$ 5,497,415
Payroll taxes and benefits	547,733	79,940	30,345	6,301	13,792	18,195	17,839	311,004	1,025,149	144,209	56,474	1,225,832
Contractors and consultants	167,421	7,674	304	84	155	220	14,846	210,524	401,228	103,299	69,167	573,694
Consumable supplies	221,440	6,874	12,850	92	2,669	3,003	811	37,926	285,665	57,171	13,300	356,136
Occupancy	173,360	29,109	10,229	302	1,445	3,300	4,891	2,414	225,050	141,339	1,215	367,604
Transportation	144,869	34,171	-	491	54	136	4,590	101,871	286,182	2,971	2,571	291,724
Specific assistance to individuals	32,947	284,876	115	-	73	450	9,941	22,575	350,977	12	-	350,989
Leases and rent	5,368	573	57	2	12	2,155	-	13,793	21,960	32	10	22,002
Communications and miscellaneous	30,244	11,428	7,861	3,761	1,714	12,353	5,713	123,205	196,279	102,705	19,818	318,802
Non-reimbursable expenses	24,211	5,844	4,577	3,024	2,141	14,208	-	126,022	180,027	43,453	22,615	246,095
Depreciation	49,325	12,604	9,010	391	1,166	545	-	1,959	75,000	52,586	400	127,986
Donated items	36,830	-	-	803	-	21,900	-	6,580	66,113	588	-	66,701
<b>Total expenses before allocation of management and general expenses</b>	<b>3,772,438</b>	<b>874,032</b>	<b>213,910</b>	<b>30,968</b>	<b>61,313</b>	<b>182,992</b>	<b>99,623</b>	<b>2,576,743</b>	<b>7,812,019</b>	<b>1,202,963</b>	<b>429,998</b>	<b>9,444,980</b>
Allocation of management and general expenses	413,399	78,229	23,099	2,842	6,911	17,861	2,989	210,348	755,678	(797,768)	42,090	-
<b>Total expenses</b>	<b>\$ 4,185,837</b>	<b>\$ 952,261</b>	<b>\$ 237,009</b>	<b>\$ 33,810</b>	<b>\$ 68,224</b>	<b>\$ 200,853</b>	<b>\$ 102,612</b>	<b>\$ 2,787,091</b>	<b>\$ 8,567,697</b>	<b>\$ 405,195</b>	<b>\$ 472,088</b>	<b>\$ 9,444,980</b>

See accompanying notes and independent auditor's report.

**Lydia Home Association**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (568,839)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Acquisition of Safe Families for Children Alliance	(120,896)
Noncash contributions of investments	(49,814)
Dividends and interest reinvested, net of fees incurred	(27,365)
Loss on investments	24,093
Depreciation	127,986
Loss on disposal of equipment	4,968
Noncash contribution of equipment	(7,376)
Interest added to line of credit	654
Cash provided by (applied to) other operating activities:	
Government fees and grants receivable	(235,370)
Pledges receivable	134,917
Other receivables	416,976
Prepaid expenses	16,674
Accounts payable	(359,614)
Accrued wages and benefits	(22,686)
Deferred revenue	(52,630)
<b>Net cash from operating activities</b>	<b>(718,322)</b>
 <b>Cash flows from investing activities:</b>	
Acquisition of Safe Families for Children Alliance	331,910
Proceeds from sale of investments	29,967
Purchase of property and equipment	(300,910)
Proceeds from sale of property and equipment	5,800
<b>Net cash from investing activities</b>	<b>66,767</b>
 <b>Cash flows from financing activities -</b>	
proceeds from line of credit	150,000
<b>Net change in cash</b>	<b>(501,555)</b>
Cash, beginning of the year	1,045,079
Cash, end of the year	<b>\$ 543,524</b>

See accompanying notes and independent auditor's report.

## **Lydia Home Association Notes to the Consolidated Financial Statements**

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### **1. Nature of Organization**

The consolidated financial statements include the accounts of Lydia Home Association (Lydia Home) and the related Safe Families for Children Alliance (Alliance), hereinafter collectively referred to as the "Association". All significant interorganizational accounts and transactions have been eliminated in consolidation.

Lydia Home is a Christian, nonprofit organization, founded in 1916 and based in Chicago, Illinois. The mission of Lydia Home is to strengthen families to care for children and to care for children when families cannot. This mission is accomplished through a diverse range of programs designed to meet the physical, emotional and spiritual needs of at-risk children and families including:

- Residential treatment and foster care
- Day care for preschool and kindergarten children
- Community counseling center
- Alternative high schools (urban academies)

The Alliance is a non-profit organization with headquarters in Chicago, Illinois, and local chapters nationwide created to extend family-like support for desperate families through a community of devoted volunteers who are motivated by faith to keep children safe and families intact. The Alliance is dedicated to:

- Keeping children safe during a family crisis such as homelessness, hospitalization, or domestic violence in an effort to prevent child abuse and/or neglect.
- Supporting and stabilizing families in crisis by surrounding them with a caring, compassionate community.
- Reuniting families and reducing the number of children entering the child welfare system.

As described in Note 9, effective on July 1, 2016, Lydia Home became the sole member and assumed control of the Alliance.

### **2. Summary of Significant Accounting Policies**

**Basis of Presentation** – The consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Association as a whole. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:



**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

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**2. Summary of Significant Accounting Policies (cont'd)**

**Basis of Presentation (cont'd)**

**Permanently Restricted Net Assets** – Net assets subject to donor imposed stipulations that must be permanently maintained by the Association. Generally, the donors of these assets would permit the Association to use all or part of the income earned on the related investments for general or specific purposes. The Association currently has no permanently restricted net assets.

**Temporarily Restricted Net Assets** – Net assets subject to donor imposed stipulations that may or will be met by the actions of the Association or the passage of time.

**Unrestricted Net Assets** – Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as an increase or decrease in unrestricted net assets, unless its use is restricted by explicit donor stipulation or by law. The expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of property and equipment, or of cash used to acquire property and equipment received with donor stipulations, are reported as temporarily restricted support and released over the estimated useful life of the related assets as they are depreciated. Temporarily restricted contributions whose restrictions are met in the same year are reported as unrestricted support.

**Use of Estimates** – The preparation of financial statements in accordance 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, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these consolidated financial statements include the following:

- The Association allocates general, administrative and other expenses to individual program activities.
- The Association has determined that an allowance for doubtful account is not necessary.

**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

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**2. Summary of Significant Accounting Policies (cont'd)**

**Basis of Presentation (cont'd)**

For the aforementioned estimates, it is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future, as new information is available.

**Investments** – The Association’s investments are accounted for at fair value with unrealized gains and losses reported in the consolidated statement of activities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of a given measurement date. Investment valuations are separated into a three-level hierarchy based on the reliability of observable and unobservable inputs as follows:

**Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

**Level 2** – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

**Level 3** – Valuations are based on unobservable inputs for the asset or liability that reflect the Association’s own data and assumptions that market participants would use in pricing the asset or liability.

The Association’s investments in money market funds and common stocks are valued based on quoted market prices and are categorized in Level 1 of the hierarchy. The Association’s investments in municipal bonds and corporate bonds are based on the current interest rates available for similar instruments and are categorized in Level 2 of the hierarchy.

**Accounts Receivable** – Fees and grants receivable from governmental agencies are stated at the amount billed. The Association does not charge interest or late fees on amounts past due. The Association considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided for.

**Property and Equipment** – Property and equipment are stated at cost, or in the case of gifts, at fair value as of the date of donation. Depreciation of property and equipment is recorded using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 50 years. When property and equipment is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of property and equipment are expensed as incurred.

**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

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**2. Summary of Significant Accounting Policies (cont'd)**

**Revenue Recognition** – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Tuition, licensing and service fees, along with fees due under cost-reimbursable government grants, are recorded in the period the related services are performed or expenditures are incurred.

**Donated Services and In-Kind Contributions** – Volunteers contribute significant amounts of time to support the Association's program services and operations; however, the consolidated financial statements do not reflect the value of these contributed services as they do not meet the recognition criteria prescribed by generally accepted accounting principles. Contributed goods and professional services are recorded at fair value based on the date of donation or the service was provided.

**Concentration of Revenue** – Government fees and grants reflect funding received from the State of Illinois (substantially all of which was received from the Illinois Department of Children and Family Services) and accounted for approximately 58% of the Association's consolidated revenue for the year ended June 30, 2017. The receipt such funds generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become a liability of the Association.

**Functional Allocation of Expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated statement of functional expenses presents the natural classification of expenses by function.

**Income Taxes** – Lydia Home and the Alliance are not-for-profit entities, as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from income taxes, except to the extent of any unrelated business income in excess of \$1,000. Neither Lydia Home nor the Alliance reported any such unrelated business income in 2017 and both have determined they not are required to report a liability for any uncertain tax positions. While neither Lydia Home nor the Alliance has received a notice of exam, their federal and state tax returns for the years ended June 30, 2014 through 2016, remain subject to examination.

**Subsequent Events** – Subsequent events have been evaluated through February 20, 2018, which is the date the consolidated financial statements were available to be issued.

**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

**3. Investments**

The Association's investments at June 30, 2017, consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,074	\$ -	\$ -	\$ 3,074
Common stock	19,978	-	-	19,978
Corporate bonds	-	611,039	-	611,039
Municipal bonds	-	147,659	-	147,659
	<u>\$ 23,052</u>	<u>\$ 758,698</u>	<u>\$ -</u>	<u>\$ 781,750</u>

Investment income for the year ended June 30, 2017, consists of the following:

Dividends and interest	\$ 31,393
Net gains and losses	(24,093)
Investment fees	<u>(3,831)</u>
	<u>\$ 3,469</u>

**4. Property and Equipment**

Property and equipment at June 30, 2017, consists of the following:

Land	\$ 116,223
Buildings and improvements	3,211,753
Furniture, fixtures, and equipment	<u>1,261,685</u>
	4,589,661
Less accumulated depreciation	<u>(3,592,412)</u>
	<u>\$ 997,249</u>

**5. Line of Credit**

The Association has an open-ended line of credit facility with its investment custodian which provides for borrowings up to the lesser of \$350,000 or the pledged value of collateral. Interest on the line of credit is payable monthly at the prime rate plus 0.5% (4.5% at June 30, 2017). The line of credit with a balance of \$153,224 is due on demand and secured by the Association's investment account with a balance of \$781,750 at June 30, 2017. Interest expensed and added to the line of credit for the year ended June 30, 2017, totaled \$654.

**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

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**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017, consist of the following:

International	\$ 41,666
Lawndale Community PCIT	8,644
Lydia Urban Academy	33,050
Project music	7,897
Residential capital improvements	189,138
Residential operations	11,903
Rockford Urban Academy	21,532
Safe Families	1,144,004
Technology	23,564
Undepreciated property and equipment	340,979
Other	10,000
	<u>\$ 1,832,377</u>

The sources of net assets released from temporary donor restrictions by satisfying the restricted purposes or by the occurrence of events specified by the donor, for the year ended June 30, 2017, are as follows:

International	\$ 51,800
Lydia Urban Academy	17,944
Project music	46,323
Rockford Urban Academy	34,793
Safe Families	1,025,788
Other	42,238
	<u>\$ 1,218,886</u>

**7. Special Events**

Gross receipts and related costs for special events held consist of the following:

Gross receipts	\$ 49,714
Related costs	<u>139,598</u>
Net loss	<u>\$ (89,884)</u>

**Lydia Home Association**  
**Notes to the Consolidated Financial Statements (cont'd)**

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**8. Benefit Plan**

The Association has established a 401(k) Plan in which substantially all employees having attained age 21 may participate. Employees may contribute a portion of their compensation up to the limits established by the Internal Revenue Service. Employees are immediately vested in their own deferrals. The plan also provides for discretionary employer matching and profit sharing contributions; however, no such contributions have been made to date.

**9. Acquisition of Safe Families for Children Alliance**

Effective on July 1, 2016, Lydia Home became the sole member and assumed control of the Alliance and transferred the Safe Families programming it previously operated to the Alliance.

Included in acquisition were the following assets acquired and liabilities assumed:

Cash	<b>\$ 331,910</b>
Accounts receivable	<b>34,759</b>
Prepaid expenses	<b>3,547</b>
Accounts payable	<b><u>(249,320)</u></b>
Inherent contribution	<b><u>\$ 120,896</u></b>

Due to the short-term nature of the assets assumed and liabilities acquired, there were no changes in the values of the assets and liabilities.

As the acquisition was performed without consideration, the Association recognized an inherent contribution of \$120,896 for the fair value of net assets acquired in its consolidated statement of activities for the year ended June 30, 2017.

**Lydia Home Association**  
**Consolidating Schedule of Financial Position**  
**For the Year Ended June 30, 2017**

<b>Assets</b>	<b>Consolidated</b>	<b>Eliminations</b>	<b>Lydia Home Association</b>	<b>Safe Families for Children Alliance</b>
Cash	\$ 543,524	\$ -	\$ 297,031	\$ 246,493
Investments	781,750	-	781,750	-
Accounts receivable:				
Government fees and grants	481,533	-	254,298	227,235
Pledges	128,561	-	117,311	11,250
Other	57,553	-	24,587	32,966
Due from Lydia Home Association	-	11,342	-	11,342
Prepaid expenses	109,074	-	105,168	3,906
Property and equipment, net	997,249	-	880,106	117,143
	<b>\$ 3,099,244</b>	<b>\$ 11,342</b>	<b>\$ 2,460,251</b>	<b>\$ 650,335</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 231,474	\$ -	\$ 161,070	\$ 70,404
Due to Safe Families for Children Alliance	-	11,342	11,342	-
Accrued wages and benefits	599,633	-	418,738	180,895
Line of credit	153,224	-	153,224	-
<b>Total liabilities</b>	<b>984,331</b>	<b>11,342</b>	<b>744,374</b>	<b>251,299</b>
Net assets:				
Unrestricted	282,536	-	1,027,504	(744,968)
Temporarily restricted	1,832,377	-	688,373	1,144,004
<b>Total net assets</b>	<b>2,114,913</b>	<b>-</b>	<b>1,715,877</b>	<b>399,036</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,099,244</b>	<b>\$ 11,342</b>	<b>\$ 2,460,251</b>	<b>\$ 650,335</b>

See independent auditor's report.

**Lydia Home Association  
Consolidating Schedule of Activities  
For the Year Ended June 30, 2017**

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lydia Home Association</u>	<u>Safe Families for Children Alliance</u>
Revenues:				
Contributions:				
Cash	\$ 2,911,882	\$ -	\$ 815,733	\$ 2,096,149
Acquisition by Lydia Home Association	120,896	(120,896)	-	-
Property and in-kind	74,243	-	67,497	6,746
Government fees and grants	5,074,099	-	4,649,364	424,735
Tuition, licensing, and service fees	589,457	-	292,964	296,493
Special events, net	(89,884)	-	(22,766)	(67,118)
Other income	191,979	-	121,398	70,581
Investment income	3,469	-	3,272	197
	<u>8,876,141</u>	<u>(120,896)</u>	<u>5,927,462</u>	<u>2,827,783</u>
Expenses:				
Program services:				
Resident child care	4,185,837	-	4,185,837	-
Foster care	952,261	-	952,261	-
Day care	237,009	-	237,009	-
Counseling center	33,810	-	33,810	-
Lydia Urban Academy Chicago	68,224	-	68,224	-
Lydia Urban Academy Rockford	200,853	-	200,853	-
International	102,612	-	102,612	-
Safe Families chapter operations	2,787,091	-	-	2,787,091
	<u>8,567,697</u>	<u>-</u>	<u>5,780,606</u>	<u>2,787,091</u>
Management and general	405,195	-	64,826	340,369
Development	472,088	-	259,905	212,183
	<u>9,444,980</u>	<u>-</u>	<u>6,105,337</u>	<u>3,339,643</u>
Change in net assets	(568,839)	(120,896)	(177,875)	(511,860)
Transfer between Lydia Home Association and Safe Families for Children Alliance	-	-	(790,000)	790,000
Net assets, beginning of the year	2,683,752	120,896	2,683,752	120,896
Net assets, end of the year	<u>\$ 2,114,913</u>	<u>\$ -</u>	<u>\$ 1,715,877</u>	<u>\$ 399,036</u>

See independent auditor's report.



**Lydia Home Association**  
**Consolidating Schedule of Cash Flows**  
**For the Year Ended June 30, 2017**

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lydia Home Association</u>	<u>Safe Families for Children Alliance</u>
Cash flows from operating activities:				
Change in net assets	\$ (568,839)	\$ (120,896)	\$ (177,875)	\$ (511,860)
Adjustments to reconcile change in to net cash from operating activities:				
Acquisition of Safe Families for Children Alliance	(120,896)	120,896	-	-
Noncash contribution of investments	(49,814)	-	(49,814)	-
Dividends and interest reinvested, net of fees incurred	(27,365)	-	(27,365)	-
Loss on investments	24,093	-	24,093	-
Depreciation	127,986	-	83,356	44,630
(Gain) loss on disposal of equipment	4,968	-	10,768	(5,800)
Noncash contribution of equipment	(7,376)	-	(7,376)	-
Interest added to line of credit	654	-	654	-
Cash provided by (applied to) other operating activities:				
Government fees and grants	(235,370)	-	(8,135)	(227,235)
Pledges receivable	134,917	-	146,167	(11,250)
Other receivables	416,976	-	415,182	1,794
Due from Lydia Home Association	-	(11,342)	-	(11,342)
Prepaid expenses	16,674	-	17,034	(360)
Accounts payable	(359,614)	-	(180,698)	(178,916)
Accrued wages and benefits	(22,686)	-	(203,581)	180,895
Deferred revenue	(52,630)	-	(52,630)	-
Due to Safe Families for Children Alliance	-	11,342	11,342	-
<b>Net cash from operating activities</b>	<b>(718,322)</b>	<b>-</b>	<b>1,122</b>	<b>(719,444)</b>
Cash flows from investing activities:				
Acquisition of Safe Families for Children Alliance	331,910	(331,910)	-	-
Transfer between Lydia Home Association and Safe Families for Children Alliance	-	-	(739,624)	739,624
Proceeds from sale of investments	29,967	-	29,967	-
Purchase of property and equipment	(300,910)	-	(189,513)	(111,397)
Proceeds from sale of equipment	5,800	-	-	5,800
<b>Net cash from investing activities</b>	<b>66,767</b>	<b>(331,910)</b>	<b>(899,170)</b>	<b>634,027</b>
Cash flows from financing activities - proceeds from notes payable	150,000	-	150,000	-
Net change in cash	(501,555)	(331,910)	(748,048)	(85,417)
Cash, beginning of the year	1,045,079	331,910	1,045,079	331,910
Cash, end of the year	<b>\$ 543,524</b>	<b>\$ -</b>	<b>\$ 297,031</b>	<b>\$ 246,493</b>

See independent auditor's report.

**Lydia Home Association**  
**Schedule of Activities - Lydia Home Association (Parent Only)**  
**For the Year Ended June 30, 2017**

	Resident Child Care	Foster Care	Day Care	Counseling Center	Lydia Urban Academy Chicago	Lydia Urban Academy Rockford	International	Total Program Services	Management and General	Development	Total
<b>Revenues:</b>											
<b>Contributions:</b>											
Cash	\$ 39,846	\$ 4,000	\$ 192	\$ 76	\$ 7,428	\$ 92,393	\$ 89,701	\$ 233,636	\$ 4,000	\$ 578,097	\$ 815,733
Property and in-kind	44,206	-	-	803	-	21,900	-	66,909	588	-	67,497
Government fees and grants	3,804,788	835,404	-	9,172	-	-	-	4,649,364	-	-	4,649,364
Tuition and service fees	2,247	-	248,617	20,157	-	21,943	-	292,964	-	-	292,964
Special events, net	(890)	-	-	-	-	(665)	-	(1,555)	-	(21,211)	(22,766)
Other income	31,137	79,080	-	603	-	167	-	110,987	7,900	2,511	121,398
Investment income	-	-	-	-	-	-	-	-	-	3,272	3,272
<b>Total revenues</b>	<b>3,921,334</b>	<b>918,484</b>	<b>248,809</b>	<b>30,811</b>	<b>7,428</b>	<b>135,738</b>	<b>89,701</b>	<b>5,352,305</b>	<b>12,488</b>	<b>562,669</b>	<b>5,927,462</b>
<b>Expenses:</b>											
Wages	2,338,690	400,939	138,562	15,717	38,092	106,527	40,992	3,079,519	269,779	145,321	3,494,619
Payroll taxes and benefits	547,733	79,940	30,345	6,301	13,792	18,195	17,839	714,145	87,770	33,011	834,926
Contractors and consultants	167,421	7,674	304	84	155	220	14,846	190,704	7,111	8,907	206,722
Consumable supplies	221,440	6,874	12,850	92	2,669	3,003	811	247,739	35,849	9,303	292,891
Occupancy	173,360	29,109	10,229	302	1,445	3,300	4,891	222,636	133,199	1,215	357,050
Transportation	144,869	34,171	-	491	54	136	4,590	184,311	889	1,684	186,884
Specific assistance to individuals	32,947	284,876	115	-	73	450	9,941	328,402	12	-	328,414
Leases and rent	5,368	573	57	2	12	2,155	-	8,167	32	10	8,209
Communications and miscellaneous	30,244	11,428	7,861	3,761	1,714	12,353	5,713	73,074	66,749	14,228	154,051
Non-reimbursable expenses	24,211	5,844	4,577	3,024	2,141	14,208	-	54,005	22,347	21,742	98,094
Depreciation	49,325	12,604	9,010	391	1,166	545	-	73,041	9,915	400	83,356
Donated items	36,830	-	-	803	-	21,900	-	59,533	588	-	60,121
<b>Total expenses before allocation of management and general expenses</b>	<b>3,772,438</b>	<b>874,032</b>	<b>213,910</b>	<b>30,968</b>	<b>61,313</b>	<b>182,992</b>	<b>99,623</b>	<b>5,235,276</b>	<b>634,240</b>	<b>235,821</b>	<b>6,105,337</b>
Allocation of management and general expenses	413,399	78,229	23,099	2,842	6,911	17,861	2,989	545,330	(569,414)	24,084	-
<b>Total expenses</b>	<b>4,185,837</b>	<b>952,261</b>	<b>237,009</b>	<b>33,810</b>	<b>68,224</b>	<b>200,853</b>	<b>102,612</b>	<b>5,780,606</b>	<b>64,826</b>	<b>259,905</b>	<b>6,105,337</b>
<b>Revenues over (under) expenses</b>	<b>\$ (264,503)</b>	<b>\$ (33,777)</b>	<b>\$ 11,800</b>	<b>\$ (2,999)</b>	<b>\$ (60,796)</b>	<b>\$ (65,115)</b>	<b>\$ (12,911)</b>	<b>\$ (428,301)</b>	<b>\$ (52,338)</b>	<b>\$ 302,764</b>	<b>\$ (177,875)</b>

See independent auditor's report.

**Lydia Home Association**  
**Schedule of Activities - Safe Families for Children Alliance**  
**For the Year Ended June 30, 2017**

	Program Services - Chapter Operations	Management and General	Development	Total
Revenues:				
Contributions:				
Cash	\$ 1,742,654	\$ -	\$ 353,495	\$ 2,096,149
Property and in-kind	6,158	-	588	6,746
Government fees and grants	424,735	-	-	424,735
Licensing and service fees	122,451	174,042	-	296,493
Special events, net	(65,669)	(1,500)	51	(67,118)
Other income	22,009	48,572	-	70,581
Investment income	197	-	-	197
<b>Total revenues</b>	<b>2,252,535</b>	<b>221,114</b>	<b>354,134</b>	<b>2,827,783</b>
Expenses:				
Wages	1,618,870	284,819	99,107	2,002,796
Payroll taxes and benefits	311,004	56,439	23,463	390,906
Contractors and consultants	210,524	96,188	60,260	366,972
Consumable supplies	37,926	21,322	3,997	63,245
Occupancy	2,414	8,140	-	10,554
Transportation	101,871	2,082	887	104,840
Specific assistance to individuals	22,575	-	-	22,575
Leases and rent	13,793	-	-	13,793
Communications and miscellaneous	123,205	35,956	5,590	164,751
Non-reimbursable expenses	126,022	21,106	873	148,001
Depreciation	1,959	42,671	-	44,630
Donated items	6,580	-	-	6,580
<b>Total expenses before allocation of management and general expenses</b>	<b>2,576,743</b>	<b>568,723</b>	<b>194,177</b>	<b>3,339,643</b>
Allocation of management and general expenses	210,348	(228,354)	18,006	-
<b>Total expenses</b>	<b>2,787,091</b>	<b>340,369</b>	<b>212,183</b>	<b>3,339,643</b>
<b>Revenues over (under) expenses</b>	<b>\$ (534,556)</b>	<b>\$ (119,255)</b>	<b>\$ 141,951</b>	<b>\$ (511,860)</b>

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# Selden Fox

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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**

Board of Directors  
Lydia Home Association  
Chicago, Illinois

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 consolidated financial statements of **Lydia Home Association**, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 20, 2018.

### **Internal Control Over Financial Reporting**

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

*Seiden Fox, Ltd.*

February 20, 2018