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# The Allendale Association

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**Financial Report**  
**June 30, 2022**

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## Independent Auditor's Report

To the Board of Trustees  
The Allendale Association

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of The Allendale Association (Allendale), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, 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 Allendale as of June 30, 2022 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Allendale and to meet our 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 Allendale's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### **Auditor's 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 auditor's 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 and *Government Auditing Standards* 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.

To the Board of Trustees  
The Allendale Association

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Allendale'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 Allendale'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.

#### **Report on Summarized Comparative Information**

We have previously audited Allendale's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of Allendale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of Allendale's 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 Allendale's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

January 31, 2023

**Statement of Financial Position**

**June 30, 2022**  
**(With Summarized Totals for 2021)**

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 3,625,525	\$ 4,252,509
Investments	8,174,650	9,219,934
Accounts receivable - Net:		
Trade accounts receivable	1,698,654	2,530,382
Pledges receivable	25,000	25,000
Bond issuance costs - Net	32,000	67,828
Prepaid expenses and other assets:		
Prepaid expenses and other	188,003	186,609
Advances and deposits	20,936	23,087
Interest rate swap agreement	8,801	-
Property and equipment - Net	9,682,870	10,153,400
Total assets	<b>\$ 23,456,439</b>	<b>\$ 26,458,749</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 674,691	\$ 706,523
Accrued salaries, wages, and other compensation	1,252,752	1,140,906
Accrued liabilities and other:		
Accrued pension cost	670,302	1,678,269
Interest rate swap agreement	-	48,983
Bonds and loans payable	1,962,188	2,396,400
Total liabilities	4,559,933	5,971,081
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	10,054,411	10,546,176
Board designated	7,994,669	9,040,533
Total without donor restrictions	18,049,080	19,586,709
With donor restrictions	847,426	900,959
Total net assets	18,896,506	20,487,668
Total liabilities and net assets	<b>\$ 23,456,439</b>	<b>\$ 26,458,749</b>

Statement of Activities

Year Ended June 30, 2022  
(With Summarized Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, (Losses) Gains, and Other Support</b>				
Government support - Service fees and grants	\$ 25,117,973	\$ -	\$ 25,117,973	\$ 27,321,034
Government support - School lunch program	226,073	-	226,073	239,421
Public support - Contributions and special events	582,340	769,304	1,351,644	1,528,152
Service fees - Third party	346,730	-	346,730	407,256
Client and family fees	510	-	510	1,140
Program sales	28,203	-	28,203	18,668
Net realized and unrealized (loss) gain on investments	(1,285,808)	-	(1,285,808)	1,578,210
Investment and dividend income	280,286	79	280,365	191,011
Change in value of interest rate swap and split-interest agreements	57,784	-	57,784	31,675
Miscellaneous	2,686	-	2,686	10,042
Net assets released from restrictions	822,916	(822,916)	-	-
<b>Total revenue, gains, and other support</b>	<b>26,179,693</b>	<b>(53,533)</b>	<b>26,126,160</b>	<b>31,326,609</b>
<b>Expenses</b>				
Program services:				
Residential treatment	11,491,682	-	11,491,682	13,359,864
North Chicago	1,872,012	-	1,872,012	1,827,487
Group home	1,092,296	-	1,092,296	1,024,775
Autism program	1,378,766	-	1,378,766	1,198,501
Special education	7,812,047	-	7,812,047	7,590,655
Foster care	1,095,986	-	1,095,986	1,092,307
Youth community services	139,150	-	139,150	18,059
Outpatient clinic	590,063	-	590,063	526,275
<b>Total program services</b>	<b>25,472,002</b>	<b>-</b>	<b>25,472,002</b>	<b>26,637,923</b>
Support services:				
Management and general	2,767,367	-	2,767,367	2,750,935
Fundraising	369,662	-	369,662	205,480
<b>Total support services</b>	<b>3,137,029</b>	<b>-</b>	<b>3,137,029</b>	<b>2,956,415</b>
<b>Total expenses</b>	<b>28,609,031</b>	<b>-</b>	<b>28,609,031</b>	<b>29,594,338</b>
<b>(Decrease) Increase in Net Assets - Before nonoperating income</b>	<b>(2,429,338)</b>	<b>(53,533)</b>	<b>(2,482,871)</b>	<b>1,732,271</b>
<b>Nonoperating Income</b>				
Pension-related changes other than net periodic benefit cost	891,709	-	891,709	1,176,315
Gain on forgiveness of debt (PPP loan)	-	-	-	4,188,405
<b>Total nonoperating income</b>	<b>891,709</b>	<b>-</b>	<b>891,709</b>	<b>5,364,720</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(1,537,629)</b>	<b>(53,533)</b>	<b>(1,591,162)</b>	<b>7,096,991</b>
<b>Net Assets - Beginning of year</b>	<b>19,586,709</b>	<b>900,959</b>	<b>20,487,668</b>	<b>13,390,677</b>
<b>Net Assets - End of year</b>	<b>\$ 18,049,080</b>	<b>\$ 847,426</b>	<b>\$ 18,896,506</b>	<b>\$ 20,487,668</b>

Statement of Functional Expenses

Year Ended June 30, 2022  
(With Summarized Totals for 2021)

	Program Services								Support Services			Total		
	Residential Treatment	North Chicago	Group Home	Autism Program	Special Education	Foster Care	Youth Community Services	Outpatient Clinic	Total	Management and General	Fundraising	Total	2022	2021
Salaries	\$ 6,792,247	\$ 1,067,129	\$ 655,272	\$ 873,184	\$ 4,919,599	\$ 379,053	\$ 96,596	\$ 348,584	\$ 15,131,664	\$ 1,483,757	\$ 229,876	\$ 1,713,633	\$ 16,845,297	\$ 17,529,590
Employee benefits	1,270,742	212,281	132,059	168,001	1,094,612	83,107	21,727	78,298	3,060,827	339,139	51,924	391,063	3,451,890	3,752,677
Payroll taxes	503,846	79,235	48,665	64,801	365,986	28,192	7,187	25,935	1,123,847	110,436	17,106	127,542	1,251,389	1,243,792
<b>Total salaries and related expenses</b>	<b>8,566,835</b>	<b>1,358,645</b>	<b>835,996</b>	<b>1,105,986</b>	<b>6,380,197</b>	<b>490,352</b>	<b>125,510</b>	<b>452,817</b>	<b>19,316,338</b>	<b>1,933,332</b>	<b>298,906</b>	<b>2,232,238</b>	<b>21,548,576</b>	<b>22,526,059</b>
Professional fees and contract service payments	425,881	78,264	40,291	103,708	109,521	17,859	221	5,540	781,285	236,398	-	236,398	1,017,683	1,052,888
Supplies	726,094	98,769	31,924	57,277	220,307	19,181	2,364	10,236	1,166,152	204,438	13,745	218,183	1,384,335	1,473,762
Telecommunications	158,519	11,007	6,371	6,173	77,224	26,969	2,460	17,158	305,881	30,837	5,967	36,804	342,685	247,122
Postage and shipping	14,844	2,360	1,284	1,566	10,281	919	146	260	31,660	3,374	1,900	5,274	36,934	37,053
Occupancy	259,154	41,501	23,627	6,641	330,497	25,558	543	68,078	755,599	15,914	2,691	18,605	774,204	850,922
Equipment repairs, maintenance, and rentals	101,159	9,947	4,184	4,676	29,275	2,584	298	4,645	156,768	-	-	-	156,768	121,287
Insurance premiums	254,036	42,029	22,874	27,896	170,535	16,365	2,604	4,648	540,987	37,194	6,137	43,331	584,318	577,843
Outside printing, artwork, etc.	7,636	1,263	688	839	5,837	492	78	140	16,973	-	9,196	9,196	26,169	20,893
Local transportation	108,175	16,295	7,906	8,797	45,132	20,169	2,389	2,452	211,315	4,503	112	4,615	215,930	180,259
Training, conferences, and meetings	7,900	400	218	12	1,364	-	-	-	9,894	4,573	626	5,199	15,093	3,925
Subscriptions and reference publications	186	31	17	20	125	12	2	4	397	132	-	132	529	2,455
Client-specific assistance	235,992	31,626	63,637	10,795	16,669	445,075	37	148	803,979	-	-	-	803,979	806,010
Membership and accreditation dues	25,742	4,236	2,305	2,811	28,263	2,512	262	1,896	68,027	1,076	543	1,619	69,646	41,121
Staff recruitment and marketing advertising	37,230	6,160	3,352	4,088	24,993	2,634	382	681	79,520	11,809	833	12,642	92,162	157,908
Interest expense and financing fees	58,288	17,519	1,258	1,522	28,591	999	165	8,564	116,906	2,732	2,382	5,114	122,020	109,168
Bad debt expense	540	-	-	-	-	-	-	-	540	-	-	-	540	8,647
Miscellaneous	44,418	8,462	754	323	3,678	17	3	3	57,658	18,461	26,624	45,085	102,743	34,818
Depreciation	459,053	143,498	45,610	35,636	329,558	24,289	1,686	12,793	1,052,123	262,594	-	262,594	1,314,717	1,342,198
<b>Total functional expenses</b>	<b>\$ 11,491,682</b>	<b>\$ 1,872,012</b>	<b>\$ 1,092,296</b>	<b>\$ 1,378,766</b>	<b>\$ 7,812,047</b>	<b>\$ 1,095,986</b>	<b>\$ 139,150</b>	<b>\$ 590,063</b>	<b>\$ 25,472,002</b>	<b>\$ 2,767,367</b>	<b>\$ 369,662</b>	<b>\$ 3,137,029</b>	<b>\$ 28,609,031</b>	<b>\$ 29,594,338</b>

Statement of Cash Flows

Year Ended June 30, 2022  
(With Summarized Totals for 2021)

	2022	2021
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (1,591,162)	\$ 7,096,991
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	1,314,717	1,342,198
Bond cost amortization	35,828	10,810
Net realized and unrealized losses (gains) on investments	1,285,808	(1,578,210)
Change in value of interest rate swap and split-interest agreements	(57,784)	(31,675)
Bad debt expense	540	8,647
Gain on forgiveness of debt (PPP loan)	-	(4,188,405)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	831,188	214,153
Prepaid expenses and other	(1,394)	20,777
Advances and deposits	2,151	(1,400)
Accounts payable and other accrued expenses	31,048	115,889
Accrued pension cost	(1,007,967)	(1,186,946)
Net cash and cash equivalents provided by operating activities	842,973	1,822,829
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	2,714,090	5,360,336
Purchases of investments	(2,954,614)	(5,511,803)
Capital expenditures	(795,221)	(664,384)
Net cash and cash equivalents used in investing activities	(1,035,745)	(815,851)
<b>Cash Flows from Financing Activities</b>		
Payments on bond	(1,256,100)	(304,600)
Proceeds from loan	940,000	-
Payments on loan	(118,112)	-
Proceeds from line of credit	30,000	-
Payments on line of credit	(30,000)	-
Net cash and cash equivalents used in financing activities	(434,212)	(304,600)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(626,984)	702,378
<b>Cash and Cash Equivalents - Beginning of year</b>	4,252,509	3,550,131
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,625,525</b>	<b>\$ 4,252,509</b>
<b>Supplemental Cash Flow Information</b>		
Cash payments of interest	\$ 48,872	\$ 58,209
Fixed asset invoices included in accounts payable	39,678	88,644



**June 30, 2022 and 2021**

**Note 1 - Nature of Business**

The Allendale Association (Allendale) is a private, not-for-profit organization dedicated to excellence and innovation in the care, treatment, education, and advocacy for children and youth with serious emotional, mental health, and behavioral challenges. Allendale is supported financially by government funding (primarily from the State of Illinois), program services from third parties, and private contributions. Founded in 1897, Allendale serves emotionally troubled youths and their families in northern Illinois through residential treatment, community-based group homes, day treatment education, foster care, community-based mentoring, and an outpatient clinic.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The financial statements of Allendale have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

***Classification of Net Assets***

Net assets of Allendale are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled.

Net assets with donor restrictions consist of contributions received with donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Allendale or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on restricted net assets are classified as without donor restrictions unless specifically restricted by the donor or by applicable state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

***Upcoming Accounting Pronouncement***

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. Allendale has not yet been contacted by the bank to change the rate.

***Revenue Recognition***

The following revenue streams are included in revenue from contracts with customers:

- Government support
- Program sales
- Service fees

**Note 2 - Significant Accounting Policies (Continued)**

The following explains the performance obligations related to each revenue stream and how they are recognized:

**Government Support**

Allendale generates revenue from government agencies in support of services provided to its clients. Fees for services, including room and board, tuition, foster care, case management, and worker longevity payments, are based on prices/rates determined via contracts with DCFS, DHS, HFS, and school districts, and revenue is recognized monthly, as the services are rendered to the clients. Revenue for other fees for services, including Illinois Department of Public Aid reimbursement, Medicaid fees, and school-based counseling, is also recognized at the point in time the services are rendered to the clients. Allendale is also the recipient of several government grants, including the National School Lunch and Breakfast Program, Federal Title 1-Neglected for education, and the Illinois Department of Human Services Department of Rehabilitation Services for vocational job training in which revenue is also recognized as services are rendered.

**Program Sales**

Allendale generates revenue from student-operated food sales, embroidery item and greenhouse plant sales, and providing services to customers as part of its Career and Technical Education Services Program. Cafe, embroidery item, lunch, vending machine, and plant sales are recognized at the point in time when the sale occurs and the customer takes possession of the item purchased.

**Service Fees**

Allendale generates revenue from service fees, which include outpatient counseling services and in-service presentation fees. Revenue from service fees is recognized at the time the services are provided, as that is the point in time when Allendale satisfies the performance obligation.

**Accounts Receivable**

Accounts receivable are carried at the original billing amount. The valuation of accounts receivable is based upon management's estimate of the collectibility of such receivables. Management reviews trade accounts receivable on a consistent basis and follows up with those customers that are delinquent. Management records a specific reserve when the collectibility of a receivable balance is uncertain. Management also records a general billing reserve based on historical billing adjustments, which may occur for a variety of reasons. The beginning and closing balances of accounts receivable for the year ended June 30, 2021 were \$2,753,182 and \$2,530,382, respectively. The beginning and closing balances of accounts receivable for the year ended June 30, 2022 were \$2,530,382 and \$1,698,654, respectively.

**Revenue and Public Support**

See the *Revenue Recognition* section above for information regarding exchange revenue streams. Grant revenue and public support are recorded in the period to which they apply, except for contributions. Contributions received, including unconditional promises and noncash assets, are recognized as revenue when the donor's commitment is received. All contributions are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met. Contributions are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. This includes donor-restricted contributions whose restrictions are met in the year in which the contribution is received. Donor-restricted endowment net assets have been restricted by donors to be maintained in perpetuity.

**June 30, 2022 and 2021**

**Note 2 - Significant Accounting Policies (Continued)**

***Pledges Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Allendale provides an allowance for estimated uncollectible contributions based on its historical experience of the relationship between actual bad debts and net amounts pledged.

***Investments***

Investment securities are recorded at fair value in the statement of financial position. Gains and losses, both realized and unrealized, are recorded in the statement of activities.

***Property and Equipment***

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Generally, items with a useful life of one year or more and value of more than \$500 are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is allocated between program and support services in the statement of activities. Costs of maintenance and repairs are charged to expense when incurred.

***Bond Issuance Costs***

Bond issuance costs are amortized using the straight-line method over the term of the related bond.

***Contributed Materials and Services***

No amounts have been reflected in the financial statements for donated volunteers' time because the contributed services do not meet the criteria for recognition, as defined by accounting principles generally accepted in the United States of America. However, a substantial number of volunteers have donated significant amounts of time toward the activities of Allendale. Donated materials, if significant in amount, are included in public support at fair value. It is the policy of Allendale to record gifts of long-lived assets without stipulation as support without donor restrictions.

***Concentrations of Credit Risk***

Allendale's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, which is placed with high-quality financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits. Management believes that credit risk related to these deposits is minimal.

***Cash Equivalents***

For the purpose of the statement of cash flows, Allendale considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Allendale maintains its cash and cash equivalents primarily in First American Bank and Fifth Third Bank accounts.

**June 30, 2022 and 2021**

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

The costs of providing the program and support services have been reported on a functional basis in the statement of activities. Allendale uses a cost allocation formula to charge indirect costs to programs. The formula is the result of a number of cost allocation procedures based on the applicable functional expense. Factors used for allocating costs include full-time equivalent staff, square footage of space utilized, and number of telephones utilized. Certain expenses included in program services include these cost allocation procedures. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

- Salaries and benefits - Estimates of payroll by function
- Overtime, workers' compensation, and unemployment insurance - Based on full-time equivalent (FTE) hours
- Teachers, counselors, and consultants - Based on full-time equivalent hours
- Supplies and postage/shipping - Based on full-time equivalent hours
- Telecommunications - Based on number of telephones
- Building rent, maintenance, and utilities - Square footage and building use
- Equipment and vehicle rental and maintenance - Based on full-time equivalent hours
- Insurance - Based on full-time equivalent hours
- Client assistance - Based on full-time equivalent hours
- Line of credit and lease interest expense - Based on full-time equivalent hours
- Dues, permits, and subscriptions - Based on full-time equivalent hours
- Depreciation and loss on disposed assets - Based on full-time equivalent hours

***Income Taxes***

Allendale is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

***Use of Estimates***

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

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including January 31, 2023, which is the date the financial statements were available to be issued.

**June 30, 2022 and 2021**

**Note 3 - Accounts Receivable**

The following is the detail of trade accounts receivable:

	<u>2022</u>	<u>2021</u>
Program service fees and grants - Net of billing reserve	\$ 1,771,967	\$ 2,565,702
Outpatient clinic	-	34,424
Other	6,687	10,256
Less allowance for doubtful accounts	<u>80,000</u>	<u>80,000</u>
Total accounts receivable	<u>\$ 1,698,654</u>	<u>\$ 2,530,382</u>

**Note 4 - Pledges Receivable**

Allendale's pledges receivable as of June 30, 2022 and 2021 were \$25,000, which consist of a bequest that will be paid to Allendale upon the donor's death. No allowance for uncollectible pledges was recorded as of June 30, 2022 and 2021.

**Note 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that Allendale has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Allendale's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

June 30, 2022 and 2021

**Note 5 - Fair Value Measurements (Continued)**

The following tables present information about Allendale's assets and liabilities measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by Allendale to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2022
<b>Assets</b>					
Marketable equity funds:					
U.S. large cap	\$ 34,363	\$ -	\$ -	\$ -	\$ 34,363
U.S. mid cap	202,879	-	-	-	202,879
Real estate fund	82,558	-	-	-	82,558
Mutual funds:					
Equity	5,443,592	-	-	-	5,443,592
Fixed income	661,547	-	-	-	661,547
Hedge funds	-	-	-	9,336	9,336
U.S. Treasury securities	-	431,196	-	-	431,196
Savings certificates	340,437	-	-	-	340,437
Fixed-income funds:					
Corporate bonds	-	710,988	-	-	710,988
International bonds	-	104,199	-	-	104,199
Interest rate swap	-	8,801	-	-	8,801
Total assets	<u>\$ 6,765,376</u>	<u>\$ 1,255,184</u>	<u>\$ -</u>	<u>\$ 9,336</u>	<u>\$ 8,029,896</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2021					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2021
<b>Assets</b>					
Marketable equity funds:					
U.S. large cap	\$ 44,180	\$ -	\$ -	\$ -	\$ 44,180
U.S. mid cap	222,074	-	-	-	222,074
Real estate fund	142,344	-	-	-	142,344
Mutual funds:					
Equity	6,316,778	-	-	-	6,316,778
Fixed income	554,083	-	-	-	554,083
Hedge funds	-	-	-	29,492	29,492
U.S. Treasury securities	-	421,202	-	-	421,202
Savings certificates	328,959	-	-	-	328,959
Fixed-income funds:					
Corporate bonds	-	612,746	-	-	612,746
International bonds	-	180,094	-	-	180,094
Government agency bonds	-	68,837	-	-	68,837
Total assets	<u>\$ 7,608,418</u>	<u>\$ 1,282,879</u>	<u>\$ -</u>	<u>\$ 29,492</u>	<u>\$ 8,920,789</u>
<b>Liabilities</b> - Interest rate swap	<u>\$ -</u>	<u>\$ 48,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,983</u>

Not included in the tables above is \$153,555 and \$299,145 of cash held in the investment account at June 30, 2022 and 2021, respectively.

**Note 5 - Fair Value Measurements (Continued)**

**Level 1 Inputs**

Fair values for Allendale's marketable equity funds, mutual funds, and savings certificates were based on quoted market prices.

**Level 2 Inputs**

Estimated fair values of U.S. Treasury securities and fixed-income funds are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments.

The derivative instrument consists solely of an interest rate swap that is not traded on an exchange and is recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, measure of volatility, and correlations of such inputs.

**Investments in Entities that Calculate Net Asset Value per Share**

Allendale holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2022
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible Redemption Notice Period
Hedge funds	\$ 9,336	\$ 29,492	\$ -	Quarterly 65 days

The hedge fund is composed of various investment managers that may employ a variety of alternative investment strategies, including equity securities, bonds and other fixed-income securities, real estate investment trusts, mortgage-backed securities, other asset-backed securities, collateralized debt obligations, and non-U.S. securities.

**Note 6 - Property and Equipment**

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Land and improvements	\$ 2,285,412	\$ 2,285,412	10-15
Building and improvements	28,630,370	28,208,555	5-25
Furniture and equipment	7,008,126	6,703,150	3-10
Vehicles	1,051,860	1,051,860	3-7
Assets under construction	137,098	19,706	-
Total cost	39,112,866	38,268,683	
Less accumulated depreciation	29,429,996	28,115,283	
Net carrying amount	\$ 9,682,870	\$ 10,153,400	

Depreciation expense for 2022 and 2021 was \$1,314,717 and \$1,342,198, respectively.

**Note 7 - Line of Credit**

Under a line of credit agreement with a bank, Allendale has available borrowings of approximately \$2,500,000 as of June 30, 2022 and 2021. Interest is payable monthly at a variable rate, as determined by the bank's prime interest rate index (an effective rate of 4.75 and 3.25 percent at June 30, 2022 and 2021, respectively). Interest expense for 2022 and 2021 was \$12 and \$196, respectively. The line of credit is collateralized by a security interest in all of Allendale's assets and matures in February 2023. There were no outstanding borrowings as of June 30, 2022 and 2021. It is management's expectation the line of credit will be renewed.

**Note 8 - Paycheck Protection Program Loan**

On April 17, 2020, Allendale received a Paycheck Protection Program term note through a lender in the amount of \$4,188,405. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act PPP. The note required Allendale to certify certain statements that permitted Allendale to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if Allendale used the loan proceeds for the permitted expenditures described in the note agreement.

Allendale applied for loan forgiveness on February 4, 2021 and received forgiveness from the SBA for the entire loan on June 16, 2021. The SBA has the ability to review Allendale's loan file for a period of six years from the date the loan was forgiven and request additional documentation to support Allendale's initial eligibility for the loan and request for forgiveness. While management considers the likelihood of further action unlikely, in the event the SBA subsequently raises questions about Allendale's initial eligibility for the loan and/or subsequent forgiveness, the SBA may pursue legal remedies at its discretion. Loan forgiveness in the amount of \$4,188,405 has been recorded as a gain on debt forgiveness (PPP loan) in the accompanying statement of activities for the year ended June 30, 2021.

**Note 9 - Bonds and Loans Payable**

On October 17, 2001, the Village of Lake Villa, Illinois (the "Village") issued \$5,200,000 in variable-rate demand revenue bonds. The proceeds of the bonds were then loaned to Allendale to finance construction of a residential treatment unit and a community outpatient counseling center with a training facility and to refinance outstanding debt. In accordance with the above, on October 13, 2011, Allendale issued an irrevocable letter of credit in the amount of \$3,330,562 supporting payment of the loan. The letter of credit was issued by Wells Fargo Bank, N.A. and expired in October 2021.

The loan agreement required annual principal payments that began in October 2003 and ended in October 2021 when the bond was paid off. Interest was payable monthly and began in November 2001. The loan bears interest at the lowest rate of interest that will permit the bonds to be remarketed at par, not to exceed the lesser of 15 percent or the letter of credit interest rate. The interest rate is determined weekly (0.07 percent as of June 30, 2022 and 2021). The bond payable balance as of June 30, 2022 and 2021 was \$0 and \$1,105,000, respectively.

On October 12, 2021, Allendale received a loan from First American Bank in the amount of \$940,000 with monthly payments of \$16,872, including interest at 2.95 percent, and maturing on October 1, 2026. The proceeds from the First American Bank loan were used to pay off the remaining balance of the bond with the Village. The loan payable balance as of June 30, 2022 and 2021 was \$821,888 and \$0, respectively.



**Note 9 - Bonds and Loans Payable (Continued)**

On December 1, 2013, the City of Burbank, Illinois (Burbank) issued \$2,250,000 in a variable-rate demand revenue bond. The proceeds of the bond were loaned to Allendale to finance the purchase of a building in North Chicago, Illinois to house a program providing residential treatment and educational services and to make building renovations at its Lake Villa campus. Principal and interest on the bond are payable monthly and began in January 2014, with a final payment on December 1, 2028. During the interest period, interest on the bond shall accrue at the rate equal to the quarterly one-month LIBOR, plus 275 basis points multiplied by 70 percent (the initial interest rate). The interest rate was 2.71 and 1.98 percent as of June 30, 2022 and 2021, respectively. The bond payable balance was \$1,140,300 and \$1,291,400 as of June 30, 2022 and 2021, respectively.

The loan agreements require Allendale to maintain certain ratios and impose certain restrictions on Allendale.

The following table includes future principal payments by fiscal year for the bonds and loans payable as of June 30, 2022:

Years Ending	Amount
2023	\$ 337,440
2024	349,564
2025	362,442
2026	374,745
2027	251,997
Thereafter	286,000
Total	<u>\$ 1,962,188</u>

Interest expense for 2022 and 2021 was \$49,622 and \$58,707, respectively.

**Note 10 - Interest Rate Swap Agreements**

Allendale's interest rate swap agreement with a notional balance of \$1,140,300 and \$1,291,400 as of June 30, 2022 and 2021, respectively, matures on December 1, 2028 and has a fixed rate of 2.03 percent. Allendale will pay the counterparty interest at a fixed rate, as noted, and the counterparty will pay Allendale interest at 70 percent of the USD-LIBOR-BBA index rate.

As of June 30, the fair value of interest rate swaps on the statement of financial position was as follows:

	Asset (Liability) Derivatives	
	2022	2021
Fair value of interest rate swap asset (liability) (see Note 5)	\$ 8,801	\$ (48,983)

The amount of gain recognized in interest rate swaps in the statement of activities is as follows:

	Amount of Gain Recognized in Earnings	
	2022	2021
Change in fair value of interest rate swap agreement - Net of periodic settlement payments	\$ 57,784	\$ 31,675

**Note 11 - Pension and OPEB**

Allendale has a defined benefit retirement plan (the "Plan") covering substantially all employees with one year of continuous service who meet the age requirements of the Plan. Effective May 1, 2005, Allendale froze future benefit accruals under the Plan. Participants will receive the benefit they had accrued as of that date upon their retirement or termination of employment.

June 30, 2022 and 2021

**Note 11 - Pension and OPEB (Continued)**

Plan benefits are computed based on actuarial assumptions under the unit cost method. If Allendale were to terminate the Plan, different actuarial assumptions would be used to determine the actuarial present value of the pension obligation.

**Obligations and Funded Status**

	Pension Benefits	
	2022	2021
Projected benefit obligation	\$ 7,094,086	\$ 9,026,225
Fair value of plan assets at end of year	6,423,784	7,347,956
Funded status at end of year	<u>\$ (670,302)</u>	<u>\$ (1,678,269)</u>

Amounts recognized in the statement of financial position consist of the following:

	Pension Benefits	
	2022	2021
Accrued pension cost	\$ (670,302)	\$ (1,678,269)

The amounts in net assets without donor restrictions that have not yet been recognized as components of net periodic benefit cost are as follows:

	Pension Benefits	
	2022	2021
Net actuarial loss	\$ 1,540,834	\$ 2,432,543

	Pension Benefits	
	2022	2021

**Net Periodic Benefit Cost and Benefits Paid**

Net periodic benefit cost	\$ 58,742	\$ 204,369
Benefits paid	(156,662)	(283,590)
Employer contributions	175,000	215,000

**Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities**

Net loss	(729,813)	(902,608)
Amortization of net loss	(161,896)	(273,707)
Total recognized in the statement of activities	<u>(891,709)</u>	<u>(1,176,315)</u>
Total recognized in net periodic benefit cost and statement of activities	<u>\$ (814,629)</u>	<u>\$ (1,040,536)</u>

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended June 30 are as follows:

	Pension Benefits	
	2022	2021
Discount rate:		
Preretirement	2.80%	2.85%
Postretirement	2.80	2.85
Net periodic benefit cost	4.60	2.80
Long-term rate of return on plan assets	5.50	6.25

June 30, 2022 and 2021

**Note 11 - Pension and OPEB (Continued)**

The pension plan's weighted-average asset allocation as of June 30 is as follows:

	Pension Benefits	
	2022	2021
Equity securities	54.59%	55.87%
Insurance company's general account	6.55	6.13
Fixed income	38.87	38.00

Allendale's expected long-term return on plan assets assumption is based on a periodic review and modeling of the Plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from the range of reasonable rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projected inflation over the long-term period during which benefits are payable to plan participants.

**Pension Plan Assets**

Allendale's investment policy for its defined benefit retirement plan includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are the target allocations range (shown above) by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the Plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by Allendale and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

As of June 30, 2022 and 2021, the target allocations for the pension plan by asset category are as follows: equity securities - 50 percent, fixed income and cash - 50 percent.

The fair values of Allendale's pension plan assets at June 30, 2022 and 2021 by major asset classes are as follows:

	Fair Value Measurements at June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable equity securities	\$ 3,506,609	\$ -	\$ 3,506,609
Fixed-income funds	2,496,702	-	2,496,702
Total	\$ 6,003,311	\$ -	\$ 6,003,311

**Note 11 - Pension and OPEB (Continued)**

	Fair Value Measurements at June 30, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable equity securities	\$ 4,105,357	\$ -	\$ 4,105,357
Fixed-income funds	-	2,792,017	2,792,017
<b>Total</b>	<b>\$ 4,105,357</b>	<b>\$ 2,792,017</b>	<b>\$ 6,897,374</b>

The tables above present information about the pension plan assets measured at fair value at June 30, 2022 and 2021 and the valuation techniques used by Allendale to determine those fair values.

The fair value of Level 1 inputs, equity securities, is determined by external fund managers based on quoted market prices in active markets.

Fair values determined by Level 2 inputs, fixed-income funds, are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments.

Not included in the tables above are \$420,473 and \$450,582 of cash equivalents invested in the insurance company's general account as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, Allendale accrued interest payable to the spouse of a former employee, as previously authorized by the board of trustees, in the amount of \$51,830 and \$57,168, respectively.

**Cash Flow**

**Contributions**

The following benefit payments related to the pension plan, which reflect expected future service, are expected to be paid as follows:

Years Ending June 30	Pension Benefits
2023	\$ 1,490,000
2024	460,000
2025	460,000
2026	220,000
2027	380,000
Thereafter	3,180,000

**Note 12 - Defined Contribution Plan**

Allendale also provides a defined contribution retirement plan, which covers substantially all of its employees with one year of continuous service who meet the age requirements of the plan. The plan provides for Allendale to make matching contributions of 100 percent up to 5 percent of participants' salaries, which vest over four years. The matching contributions were \$531,005 and \$570,278 for the years ended June 30, 2022 and 2021, respectively.

**Note 13 - Leases**

Allendale has entered into facility lease agreements with monthly payments ranging from approximately \$3,800 to \$10,000. These leases are at two locations and mature in fiscal year 2025.

**Note 13 - Leases (Continued)**

The following is a schedule of future minimum rental payments under the facility leases:

Years Ending June 30	Amount
2023	\$ 56,023
2024	46,107
2025	11,527
Total	<u>\$ 113,657</u>

Rent expense charged to operations, including pass-through operating expenses for certain locations and short-term leases, amounted to \$180,772 and \$181,558 for the years ended June 30, 2022 and 2021, respectively.

**Note 14 - Donor-restricted Net Assets**

Donor-restricted net assets as of June 30 are available for the following purposes:

	2022	2021
Purpose restrictions:		
Alumni scholarship funds	\$ 9,337	\$ 8,758
New games room	460,696	410,696
New program development	25,000	115,000
Bilingual therapy resources	60,000	-
Fundraising director	75,000	165,000
Miscellaneous	21,750	5,862
Total purpose restrictions	<u>651,783</u>	<u>705,316</u>
Time restrictions:		
Individual pledge of life insurance	25,000	25,000
Endowment - Maintained in perpetuity	170,643	170,643
Total time restrictions	<u>195,643</u>	<u>195,643</u>
Total donor-restricted net assets	<u>\$ 847,426</u>	<u>\$ 900,959</u>

**Note 15 - Endowments**

Allendale's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Note 15 - Endowments (Continued)**

*Interpretation of Relevant Law*

Allendale is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of Allendale had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Allendale considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Allendale has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, Allendale considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Allendale and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Allendale
- The investment policies of Allendale

Endowment Net Asset Composition by Type of Fund as of June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,994,669	\$ -	\$ 7,994,669
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	170,643	170,643
Total	<u>\$ 7,994,669</u>	<u>\$ 170,643</u>	<u>\$ 8,165,312</u>
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 9,040,533	\$ 170,643	\$ 9,211,176
Net investment return:			
Realized	605,419	3,366	608,785
Unrealized	(1,613,724)	-	(1,613,724)
Investment management fees	(37,559)	-	(37,559)
Appropriation of endowment assets for expenditure	-	(3,366)	(3,366)
Endowment net assets - End of year	<u>\$ 7,994,669</u>	<u>\$ 170,643</u>	<u>\$ 8,165,312</u>

**Note 15 - Endowments (Continued)**

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 9,040,533	\$ -	\$ 9,040,533
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	170,643	170,643
<b>Total</b>	<b>\$ 9,040,533</b>	<b>\$ 170,643</b>	<b>\$ 9,211,176</b>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 7,311,359	\$ 170,643	\$ 7,482,002
Net investment return:			
Realized	653,978	4,416	658,394
Unrealized	1,111,289	-	1,111,289
Transfer to undesignated	(36,093)	-	(36,093)
Appropriation of endowment assets for expenditure	-	(4,416)	(4,416)
<b>Endowment net assets - End of year</b>	<b>\$ 9,040,533</b>	<b>\$ 170,643</b>	<b>\$ 9,211,176</b>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Allendale to retain as a fund of perpetual duration. As of June 30, 2022 and 2021, there were no funds with deficiencies.

**Return Objectives and Risk Parameters**

Allendale has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Allendale must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a cumulative return on investment percentage that exceeds the Standard & Poor's 500 index by at least 300 basis points over a three-year period. Fixed-income assets are invested with the objective to achieve a cumulative return on investment percentage that exceeds the Lehman Aggregate index by at least 150 basis points over a three-year period. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Allendale relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Allendale targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Note 15 - Endowments (Continued)**

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

Allendale has a policy of appropriating for distribution each year an amount that shall not exceed 5 percent of a three-calendar-year trailing average of the fair market value of the funds. The distribution percentage utilized each year, if a distribution is made that year, is determined by the board of trustees when approving the annual budget. In establishing this policy, Allendale considers the long-term expected return on its endowment. Accordingly, over the long term, Allendale expects the current spending policy to allow its endowment to grow annually at a level equal to changes in the CPI. This is consistent with Allendale's objective to provide additional real growth through new gifts and investment returns.

**Note 16 - Concentrations**

Allendale receives a substantial portion of its support from the State of Illinois. This support totaled approximately 70 percent of the total revenue for the fiscal years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, Allendale had total receivables from the Illinois Department of Human Services, the Illinois Department of Children and Family Services, and the Illinois Department of Healthcare and Family Services amounting to \$104,842 and \$1,319,205, respectively.

**Note 17 - Liquidity**

The following reflects Allendale's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,625,525	\$ 4,252,509
Receivables - Net	1,698,654	2,530,382
Investments	8,174,650	9,219,934
Pledges receivable	25,000	25,000
Total financial assets at year end	13,523,829	16,027,825
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with implied time restrictions - Pledges collectible in one to five years or for undetermined period	25,000	25,000
Net assets to be held in perpetuity in donor-restricted endowment funds	170,643	170,643
Net assets in board-designated endowment funds (excluding amount contractually restricted by debt covenant)	2,994,669	4,040,533
Restricted by donors with time or purpose restrictions	651,783	705,316
Contractually restricted by debt covenant	5,000,000	5,000,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,681,734	\$ 6,086,333



**Note 17 - Liquidity (Continued)**

Allendale has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 45 days of normal operating expenses, which are, on average, approximately \$3,525,000 and \$3,500,000 at June 30, 2022 and 2021, respectively. In addition to cash and receivables, Allendale's governing board has designated a portion of its unrestricted resources for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. Allendale's liquidity management includes a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Allendale also realizes there could be unanticipated liquidity needs. Allendale has a committed line of credit in the amount of \$2,500,000, as further described in Note 7, that it could draw upon if needed for meeting short-term expenditures and other obligations.