

ALLENDALE ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2022)



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**ALLENDALE ASSOCIATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2022)**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Allendale Association
Lake Villa, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Allendale Association, which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Allendale Association as of June 30, 2023, and the results of its operations and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Allendale Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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 Association'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 Association'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.

Other Matter

The summarized financial information as of and for the year ended June 30, 2022, was audited by other auditors whose report, dated January 31, 2023, expressed an unmodified opinion on those financial statements.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 7, 2024

ALLENDALE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

ASSETS	2023	2022
Cash and Cash Equivalents	\$ 2,251,641	\$ 3,625,525
Investments	8,774,942	8,174,650
Accounts Receivable, Net:		
Trade Accounts Receivable	1,029,905	1,698,654
Pledges Receivable	25,000	25,000
Bond Issuance Costs, Net	27,076	32,000
Prepaid Expenses and Other Assets:		
Prepaid Expenses and Other	186,530	188,003
Advances and Deposits	28,687	20,936
Interest Rate Swap Agreement	26,305	8,801
Property and Equipment, Net	9,308,163	9,682,870
Total Assets	\$ 21,658,249	\$ 23,456,439
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Accrued Expenses	\$ 744,051	\$ 674,691
Accrued Salaries, Wages, and Other Compensation	1,357,354	1,252,752
Accrued Liabilities and Other:		
Accrued Pension Cost	111,337	670,302
Bonds and Loans Payable	1,632,157	1,962,188
Total Liabilities	3,844,899	4,559,933
NET ASSETS		
Without Donor Restrictions:		
Undesignated	8,364,691	10,054,411
Board-Designated	8,594,012	7,994,669
Total Without Donor Restrictions	16,958,703	18,049,080
With Donor Restrictions	854,647	847,426
Total Net Assets	17,813,350	18,896,506
Total Liabilities and Net Assets	\$ 21,658,249	\$ 23,456,439

See accompanying Notes to Financial Statements.

**ALLENDALE ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, GAINS, AND OTHER SUPPORT				
Government Support - Service Fees and Grants	\$ 26,535,062	\$ -	\$ 26,535,062	\$ 25,117,973
Government Support - School Lunch Program	210,523	-	210,523	226,073
Public Support - Contributions and Special Events	477,309	943,170	1,420,479	1,351,644
Service Fees - Third Party	385,271	-	385,271	346,730
Client and Family Fees	876	-	876	510
Program Sales	41,691	-	41,691	28,203
Net Realized and Unrealized Gain (Loss) on Investments	395,285	-	395,285	(1,285,808)
Investment and Dividend Income	255,597	422	256,019	280,365
Change in Value of Interest Rate Swap and Split-Interest Agreements	17,504	-	17,504	57,784
Miscellaneous	3,404	-	3,404	2,686
Net Assets Released from Restrictions	936,371	(936,371)	-	-
Total Revenue, Gains, and Other Support	<u>29,258,893</u>	<u>7,221</u>	<u>29,266,114</u>	<u>26,126,160</u>
EXPENSES				
Program Services:				
Residential Treatment	11,620,168	-	11,620,168	11,491,682
North Chicago	1,706,904	-	1,706,904	1,872,012
Group Home	1,233,883	-	1,233,883	1,092,296
Autism Program	1,640,967	-	1,640,967	1,378,766
Special Education	8,186,883	-	8,186,883	7,812,047
Foster Care	1,351,664	-	1,351,664	1,095,986
Homeless Youth	614,124	-	614,124	-
Youth Community Services	676,011	-	676,011	139,150
Outpatient Clinic	660,836	-	660,836	590,063
Total Program Services	<u>27,691,440</u>	<u>-</u>	<u>27,691,440</u>	<u>25,472,002</u>
Support Services:				
Management and General	2,947,835	-	2,947,835	2,767,367
Fundraising	347,762	-	347,762	369,662
Total Support Services	<u>3,295,597</u>	<u>-</u>	<u>3,295,597</u>	<u>3,137,029</u>
Total Expenses	<u>30,987,037</u>	<u>-</u>	<u>30,987,037</u>	<u>28,609,031</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING INCOME	(1,728,144)	7,221	(1,720,923)	(2,482,871)
NONOPERATING INCOME				
Pension-Related Changes Other than Net Periodic Benefit Cost	637,767	-	637,767	891,709
CHANGE IN NET ASSETS	(1,090,377)	7,221	(1,083,156)	(1,591,162)
Net Assets - Beginning of Year	<u>18,049,080</u>	<u>847,426</u>	<u>18,896,506</u>	<u>20,487,668</u>
NET ASSETS - END OF YEAR	<u><u>\$ 16,958,703</u></u>	<u><u>\$ 854,647</u></u>	<u><u>\$ 17,813,350</u></u>	<u><u>\$ 18,896,506</u></u>

See accompanying Notes to Financial Statements.

**ALLENDALE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	Program Services										Support Services			2023 Total	2022 Total
	Residential Treatment	North Chicago	Group Home	Autism Program	Special Education	Foster Care	Homeless Youth	Youth Community Services	Outpatient Clinic	Total	Management and General	Fundraising	Total		
Salaries	\$ 7,136,632	\$ 994,174	\$ 754,650	\$ 1,087,804	\$ 5,196,847	\$ 516,934	\$ 392,719	\$ 454,652	\$ 425,203	\$ 16,959,615	\$ 1,594,534	\$ 222,563	\$ 1,817,097	\$ 18,776,712	\$ 16,845,297
Employee Benefits	1,224,184	179,679	140,443	196,689	1,058,040	103,138	75,723	93,431	87,203	3,158,530	334,821	45,869	380,690	3,539,220	3,451,890
Payroll Taxes	566,703	79,407	60,482	86,890	421,099	41,780	31,608	36,884	34,490	1,359,343	129,720	18,062	147,782	1,507,125	1,251,389
Total	8,927,519	1,253,260	955,575	1,371,383	6,675,986	661,852	500,050	584,967	546,896	21,477,488	2,059,075	286,494	2,345,569	23,823,057	21,548,576
Professional Fees and															
Contract Service Payments	485,992	59,840	41,091	100,893	183,555	14,884	896	3,527	10,928	901,606	269,846	-	269,846	1,171,452	1,017,683
Supplies	702,662	81,946	32,476	43,637	251,339	22,076	37,417	13,333	15,442	1,200,328	248,521	12,384	260,905	1,461,233	1,384,335
Telecommunications	123,301	11,057	6,688	6,412	58,660	30,759	5,421	14,651	12,433	269,382	21,516	4,977	26,493	295,875	342,685
Postage and Shipping	12,093	1,983	1,169	1,748	9,170	965	590	536	514	28,768	3,132	1,211	4,343	33,111	36,934
Occupancy	206,040	40,014	22,552	8,113	332,113	17,602	17,981	21,133	38,004	703,552	15,267	2,638	17,905	721,457	774,204
Equipment Repairs, Maintenance, and Rentals	81,052	8,776	4,411	3,307	28,233	1,636	11,503	792	1,505	141,215	-	-	-	141,215	156,768
Insurance Premiums	235,533	38,629	22,760	34,035	167,253	18,793	11,484	10,440	10,023	548,950	41,761	8,352	50,113	599,063	584,318
Outside Printing, Artwork, Etc.	7,132	1,030	607	907	4,709	774	773	1,061	269	17,262	-	7,460	7,460	24,722	26,169
Local Transportation	75,389	11,669	7,626	7,512	39,445	26,752	3,775	12,567	4,071	188,806	5,384	-	5,384	194,190	215,930
Training, Conferences, and Meetings	8,196	911	537	12	3,037	-	432	-	507	13,632	3,276	323	3,599	17,231	15,093
Subscriptions and Reference Publications	386	63	37	56	363	31	19	17	17	989	300	199	499	1,488	529
Client-Specific Assistance	232,330	26,382	81,934	11,757	14,287	525,353	1,219	514	33	893,809	-	-	-	893,809	803,979
Membership and Accreditation Dues	14,387	2,235	1,317	1,969	26,699	1,087	724	604	4,985	54,007	3,122	610	3,732	57,739	69,646
Staff Recruitment and Marketing Advertising	45,964	7,538	4,442	6,642	32,739	5,085	2,241	2,037	1,956	108,644	12,149	676	12,825	121,469	92,162
Interest Expenses and Financing Fees	27,360	15,637	1,160	1,735	25,244	958	585	533	4,680	77,892	3,276	3,944	7,220	85,112	122,020
Bad Debt Expenses	(44,000)	-	-	-	(24,400)	-	-	-	(11,000)	(79,400)	-	-	-	(79,400)	540
Miscellaneous	41,551	1,175	4,829	1,218	6,373	59	464	34	30	55,733	(7,325)	18,494	11,169	66,902	102,743
Depreciation	437,281	144,759	44,672	39,631	352,078	22,998	18,550	9,265	19,543	1,088,777	268,535	-	268,535	1,357,312	1,314,717
Total Functional Expenses	\$ 11,620,168	\$ 1,706,904	\$ 1,233,883	\$ 1,640,967	\$ 8,186,883	\$ 1,351,664	\$ 614,124	\$ 676,011	\$ 660,836	\$ 27,691,440	\$ 2,947,835	\$ 347,762	\$ 3,295,597	\$ 30,987,037	\$ 28,609,031

See accompanying Notes to Financial Statements.

**ALLENDALE ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACITIVITIES		
Change in Net Assets	\$ (1,083,156)	\$ (1,591,162)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,357,312	1,314,717
Bond Cost Amortization	4,924	35,828
Net Realized and Unrealized (Gains) Losses on Investments	(395,285)	1,285,808
Change in Value of Interest Rate Swap and Split-Interest Agreements	(17,504)	(57,784)
Bad Debt Expense (Recovery)	(79,400)	540
Changes in Operating Assets and Liabilities:		
Accounts Receivable	748,149	831,188
Prepaid Expenses and Other	1,473	(1,394)
Advances and Deposits	(7,751)	2,151
Accounts Payable and Other Accrued Expenses	61,015	31,048
Accrued Pension Cost	(558,965)	(1,007,967)
Net Cash Provided by Operating Activities	30,812	842,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	5,882,221	2,714,090
Purchases of Investments	(6,087,228)	(2,954,614)
Capital Expenditures	(869,658)	(795,221)
Net Cash Used by Investing Activities	(1,074,665)	(1,035,745)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bond	(149,700)	(1,256,100)
Proceeds from Loan	-	940,000
Payments on Loan	(180,331)	(118,112)
Proceeds from Line of Credit	-	30,000
Payments on Line of Credit	-	(30,000)
Net Cash Used by Financing Activities	(330,031)	(434,212)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,373,884)	(626,984)
Cash and Cash Equivalents - Beginning of Year	3,625,525	4,252,509
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,251,641	\$ 3,625,525
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments of Interest	\$ 64,620	\$ 48,872
Fixed Asset Invoices Included in Accounts Payable	\$ 112,947	\$ 39,678

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Allendale Association (Allendale) is a private, nonprofit 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.

Basis of Presentation

The financial statements of Allendale have been prepared on the basis of accounting principles generally accepted in the United States of America (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 – net assets 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, 2023. Allendale has not yet been contacted by the bank to change the rate.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

- Government support
- Program sales
- Service fees

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 community-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 and a grant to serve area homeless youth 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, 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 collectability 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 collectability 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.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The beginning and closing balances of accounts receivable for the year ended June 30, 2023, were \$1,698,654 and \$1,029,905, 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.

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. Depreciable lives are estimated as follows:

Land and Improvements	10 to 15 Years
Building and Improvements	5 to 25 Years
Furniture and Equipment	3 to 10 Years
Vehicles	3 to 7 Years

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

- 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 nonprofit corporation and is exempt from tax under the provisions of Internal Revenue Code (IRC) 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.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Allendale's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events through March 7, 2024, which is the date the financial statements were available to be issued.

Subsequent to year-end, Allendale applied for Employee Retention Credit (ERC) program from the Internal Revenue Service. Such revenue from the government is recognized when all conditions of such revenue are fulfilled. Allendale applied for approximately \$3,790,000 of ERC. The ERC may be audited by the IRS and the amount of future liability, if any, from potential noncompliance cannot be determined with certainty. Management is of the opinion that any audit will not have a material adverse impact on Allendale's financial position.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 2 ACCOUNTS RECEIVABLE

The following is the detail of trade accounts receivable:

	2023	2022
Program Service Fees and Grants -		
Net of Billing Reserve	\$ 1,028,633	\$ 1,771,967
Other	1,272	6,687
Less: Allowance for Doubtful Accounts	-	80,000
Total	\$ 1,029,905	\$ 1,698,654

NOTE 3 PLEDGES RECEIVABLE

Allendale's pledges receivable as of June 30, 2023 and 2022 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, 2023 and 2022.

NOTE 4 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.

Level 1 – inputs using quoted prices in active markets for identical assets or liabilities that Allendale has the ability to access.

Level 2 – inputs using 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 that 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.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 4 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, and the valuation techniques used by Allendale to determine those fair values:

	2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
Marketable Equity Funds:					
U.S. Large Cap	\$ 1,043,361	\$ -	\$ -	\$ -	\$ 1,043,361
U.S. Mid Cap	314,182	-	-	-	314,182
Real Estate Fund	59,004	-	-	-	59,004
Mutual Funds:					
Equity	3,908,821	-	-	-	3,908,821
Fixed Income	786,058	-	-	-	786,058
Hedge Funds	-	-	-	10,287	10,287
U.S. Treasury Securities	188,796	-	-	-	188,796
Fixed-Income Funds:					
Corporate Bonds	-	1,488,869	-	-	1,488,869
International Bonds	-	89,555	-	-	89,555
U.S. Treasuries	-	511,019	-	-	511,019
Interest Rate Swap	-	26,305	-	-	26,305
Total	<u>\$ 6,300,222</u>	<u>\$ 2,115,748</u>	<u>\$ -</u>	<u>\$ 10,287</u>	<u>\$ 8,426,257</u>

	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	Total
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	-	-	-	9,338	9,338
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	<u>\$ 6,765,376</u>	<u>\$ 1,255,184</u>	<u>\$ -</u>	<u>\$ 9,338</u>	<u>\$ 8,029,898</u>

Not included in the tables above is \$374,990 and \$153,555 of cash held in the investment account at June 30, 2023 and 2022, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 4 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:

	2023	2022	June 30, 2023		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge Funds	\$ 10,287	\$ 9,338	\$ -	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 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2023	2022
Land and Improvements	\$ 2,285,412	\$ 2,285,412
Building and Improvements	29,060,036	28,630,370
Furniture and Equipment	7,153,629	7,008,126
Vehicles	1,037,585	1,051,860
Assets Under Construction	542,300	137,098
Total	40,078,962	39,112,866
Less: Accumulated Depreciation	30,770,799	29,429,996
Property and Equipment, Net	<u>\$ 9,308,163</u>	<u>\$ 9,682,870</u>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended 2023 and 2022 was \$1,357,307 and \$1,314,717, respectively.

NOTE 6 INVESTMENT IN CAPTIVE INSURANCE COMPANY

Allendale is part owner of a captive insurance company, Vision Insurance Company (Vision), which insures and reinsures some of Allendale's own risk. Vision is organized as an offshore entity, domiciled in the Cayman Islands. Vision's members include a representative from each of the owners. Vision derives its funds from the owners' premiums, interest earned on premium and claim reserves, and captured underwriting profit, as well as from the initial startup capital (on the initial purchase of shares by the owners). Vision allocates premiums and losses on an entity-specific basis. As of June 30, 2023, Allendale owns approximately 1% of Vision and has a member fund balance of approximately \$613,000, and accounts for its investment using the cost method. At June 30, 2023, Allendale has a standby letter of credit with a bank for approximately \$784,000 that represents additional paid in capital that could be drawn upon if needed.

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, 2023 and 2022. Interest is payable monthly at a variable rate, as determined by the bank's prime interest rate index (an effective rate of 8.5% and 4.75% at June 30, 2023 and 2022, respectively). Interest expense for 2023 and 2022 was \$5 and \$12, respectively. The line of credit is collateralized by a security interest in all of Allendale's assets and matures in February 2024. There were no outstanding borrowings as of June 30, 2023 and 2022. It is management's expectation the line of credit will be renewed.

NOTE 8 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 bore interest at the lowest rate of interest that will permit the bonds to be remarketed at par, not to exceed the lesser of 15% or the letter of credit interest rate.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 8 BONDS AND LOANS PAYABLE (CONTINUED)

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%, 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, 2023 and 2022, was \$641,557 and \$821,888, respectively.

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 5.56% and 2.71% as of June 30, 2023 and 2022, respectively. The bond payable balance was \$990,600 and \$1,140,300 as of June 30, 2023 and 2022, 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, 2023:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 349,564
2025	362,442
2026	374,745
2027	251,997
2028	192,600
Thereafter	100,809
Total	<u>\$ 1,632,157</u>

Interest expense for 2023 and 2022 was \$64,620 and \$49,622, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 9 INTEREST RATE SWAP AGREEMENTS

Allendale's interest rate swap agreement with a notional balance of \$990,600 and \$1,140,300 as of June 30, 2023 and 2022, respectively, matures on December 1, 2028 and has a fixed rate of 2.03%. Allendale will pay the counterparty interest at a fixed rate, as noted, and the counterparty will pay Allendale interest at 70% 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 Derivatives	
	2023	2022
Fair Value of Interest Rate Swap Asset	\$ 26,305	\$ 8,801

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

	Amount of Gain Recognized in Earnings	
	2023	2022
Change in Fair Value of Interest Rate Swap Agreement - Net of Periodic Settlement Payments	\$ 17,504	\$ 57,784

NOTE 10 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.

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

	2023	2022
Projected Benefit Obligation	\$ 6,852,260	\$ 7,094,086
Fair Value of Plan Assets at End of Year	6,740,923	6,423,784
Funded Status	\$ (111,337)	\$ (670,302)

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 10 PENSION AND OPEB (CONTINUED)

Obligations and Funded Status (Continued)

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

	<u>2023</u>	<u>2022</u>
Accrued Pension Cost	\$ (111,337)	\$ (670,302)

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

	<u>2023</u>	<u>2022</u>
Net Actuarial Loss	\$ 903,067	\$ 1,540,834
Net Periodic Benefit Cost and Benefits Paid:	<u>2023</u>	<u>2022</u>
Net Periodic Benefit Cost	\$ 78,802	\$ 58,742
Benefits Paid	(195,728)	(156,662)
Employer Contributions	-	175,000
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities:		
Net Loss	(540,296)	(729,813)
Amortization of Net Loss	(97,471)	(161,896)
Total Recognized in the Statement of Activities	<u>(637,767)</u>	<u>(891,709)</u>
Total Recognized in Net Periodic Benefit Cost and Statement of Activities	<u>\$ (754,693)</u>	<u>\$ (814,629)</u>

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

	<u>2023</u>	<u>2022</u>
Discount Rate:		
Preretirement	4.60 %	2.80 %
Postretirement	4.60	2.80
Net Periodic Benefit Cost	5.05	4.60
Long-Term Rate of Return on Plan Assets	6.00	5.50

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

	<u>2023</u>	<u>2022</u>
Equity Securities	60.16 %	54.59 %
Insurance Company's General Account	-	6.55
Fixed Income	39.84	38.87

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 10 PENSION AND OPEB (CONTINUED)

Obligations and Funded Status (Continued)

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, 2023 and 2022, the target allocations for the pension plan by asset category are as follows: equity securities – 50%, fixed income and cash – 50%.

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

	2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable Equity Securities	\$ 4,055,334	\$ -	\$ 4,055,334
Fixed-Income Funds	2,685,589	-	2,685,589
Total	<u>\$ 6,740,923</u>	<u>\$ -</u>	<u>\$ 6,740,923</u>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 10 PENSION AND OPEB (CONTINUED)

Pension Plan Assets (Continued)

	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

The tables above present information about the pension plan assets measured at fair value at June 30, 2023 and 2022, 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 \$-0- and \$420,473 of cash equivalents invested in the insurance company's general account as of June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, Allendale accrued interest payable to the spouse of a former employee, as previously authorized by the board of trustees, in the amount of \$46,681 and \$51,830, 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,700,000
2025	450,000
2026	230,000
2027	380,000
2028	1,050,000
Thereafter	2,620,000

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 11 DEFINED CONTRIBUTION PLAN

Allendale also provides a defined contribution retirement plan, which covers substantially all of its employees who meet the age requirements of the plan. The plan provides for Allendale to make matching contributions of 100% up to 5% of participants' salaries, which vest over four years, for employees with over one year of continuous service. The matching contributions were \$611,284 and \$531,005 for the years ended June 30, 2023 and 2022, respectively.

NOTE 12 LEASES

Allendale has entered into facility lease agreements with monthly payments ranging from approximately \$2,800 to \$10,000. These leases are at two locations and mature in fiscal year 2025.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 154,203
2025	8,551
Total	<u>\$ 162,754</u>

Rent expense charged to operations, including pass-through operating expenses for certain locations and short-term leases, amounted to \$181,987 and \$180,772 for the years ended June 30, 2023 and 2022, respectively.

NOTE 13 DONOR-RESTRICTED NET ASSETS

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

	2023	2022
Purpose Restrictions:		
Alumni Scholarship Funds	\$ 10,287	\$ 9,337
New Games Room	123,851	460,696
New Program Development	-	25,000
Labyrinth Project	25,000	-
Bilingual Therapy Resources	12,328	60,000
Fundraising Director	-	75,000
Miscellaneous	-	21,750
Group Home Renovations	487,538	-
Total Purpose Restrictions	659,004	651,783
Time Restrictions:		
Individual Pledge of Life Insurance	25,000	25,000
Endowment - Maintained in Perpetuity	170,643	170,643
Total Time Restrictions	195,643	195,643
Total Donor-Restricted Net Assets	\$ 854,647	\$ 847,426

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 14 ENDOWMENT

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.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 8,594,012	\$ -	\$ 8,594,012
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	\$ 8,594,012	\$ 170,643	\$ 8,764,655

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 14 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	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>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year:	\$ 7,994,669	\$ 170,643	\$ 8,165,312
Net Investment Return:			
Realized	506,950	10,287	517,237
Unrealized	127,523	-	127,523
Investment Management Fees	(35,130)	-	(35,130)
Appropriation of Endowment Assets for Expenditure	-	(10,287)	(10,287)
Endowment Net Assets - End of Year	<u>\$ 8,594,012</u>	<u>\$ 170,643</u>	<u>\$ 8,764,655</u>
	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>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 14 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or SPMIFA requires Allendale to retain as a fund of perpetual duration. As of June 30, 2023 and 2022, 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.

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% 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 15 CONCENTRATIONS

Allendale receives a substantial portion of its support from the state of Illinois. This support totaled approximately 67% and 70% of the total revenue for the fiscal years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, 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 \$504,037 and \$104,842, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2022)

NOTE 16 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:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 2,251,641	\$ 3,625,525
Receivables - Net	1,029,905	1,698,654
Investments	8,774,942	8,174,650
Pledges Receivable	25,000	25,000
Total	<u>12,081,488</u>	<u>13,523,829</u>
Less: Those Unavailable for General Expenditures Within One Year:		
Donor-Restricted with Implied Time Restrictions - Pledges Collectible in One to Five Years or for Undetermined Period	25,000	25,000
Donor-Restricted Endowment Funds	170,643	170,643
Board-Designated Endowment Funds (Excluding Amount Contractually Restricted by Debt Covenant)	3,594,012	2,994,669
Donor-Restricted - Time or Purpose	659,004	651,783
Contractually Restricted by Debt Covenant	<u>5,000,000</u>	<u>5,000,000</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,632,829</u>	<u>\$ 4,681,734</u>

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 \$3,820,000 and \$3,525,000 at June 30, 2023 and 2022, 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 6, that it could draw upon if needed for meeting short-term expenditures and other obligations.



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