

ALLENDALE ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2023)



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**ALLENDALE ASSOCIATION
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YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2023)**

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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 statements of financial position as of June 30, 2024, 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, 2024, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Emphasis of Matter Regarding Correction of an Error

As discussed in Note 17 to the financial statements, Allendale Association understated the Illinois Department of Children and Family Services (DCFS) excess revenue which resulted in deferred revenue which should have been reflected in the financial statements. Accordingly, deferred revenue and net assets without donor restrictions have been restated as of the beginning and ending of the year ending June 30, 2023. Our opinion is not modified with respect of this matter.

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.

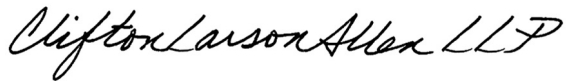
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Allendale Association's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived, except with respect to the matter described in the Emphasis of Matter Regarding Correction of an Error paragraph above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of Allendale Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Association'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 Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
February 19, 2025

ALLENDALE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

	2024	As Restated 2023
ASSETS		
Cash and Cash Equivalents	\$ 2,924,062	\$ 2,251,641
Investments	9,355,457	8,774,942
Accounts Receivable, Net	1,746,317	1,029,905
Pledges Receivable	25,000	25,000
Bond Issuance Costs, Net	22,153	27,076
Prepaid Expenses and Other Assets:		
Prepaid Expenses and Other	189,442	186,530
Net Pension Asset	502,273	-
Advances and Deposits	25,637	28,687
Interest Rate Swap Agreement	18,648	26,305
Property and Equipment, Net	8,433,129	9,308,163
Total Assets	<u>\$ 23,242,118</u>	<u>\$ 21,658,249</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Accrued Expenses	\$ 443,240	\$ 744,051
Accrued Salaries, Wages, and Other Compensation	1,544,276	1,357,354
Accrued Liabilities and Other:		
Accrued Pension Cost	-	111,337
Deferred Revenue	1,775,093	1,046,892
Bonds and Loans Payable	1,289,198	1,632,157
Total Liabilities	<u>5,051,807</u>	<u>4,891,791</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,978,484	7,317,799
Board-Designated	9,173,448	8,594,012
Total Without Donor Restrictions	<u>17,151,932</u>	<u>15,911,811</u>
With Donor Restrictions	1,038,379	854,647
Total Net Assets	<u>18,190,311</u>	<u>16,766,458</u>
Total Liabilities and Net Assets	<u>\$ 23,242,118</u>	<u>\$ 21,658,249</u>

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	2024			As Restated 2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Government Support - Service Fees and Grants	\$ 28,366,252	\$ -	\$ 28,366,252	\$ 26,535,062
Government Support - School Lunch Program	178,922	-	178,922	210,523
Public Support - Contributions	735,189	200,825	936,014	1,420,479
Service Fees - Third Party	346,882	-	346,882	385,271
Client and Family Fees	3,405	-	3,405	876
Program Sales	43,622	-	43,622	41,691
Net Realized and Unrealized Gain on Investments	788,205	-	788,205	395,285
Investment and Dividend Income, Net	272,653	577	273,230	256,019
Change in Value of Interest Rate Swap and Split-Interest Agreements	(7,657)	-	(7,657)	17,504
Miscellaneous	5,801	-	5,801	3,404
Net Assets Released from Restrictions	17,670	(17,670)	-	-
Total Revenue, Gains, and Other Support	30,750,944	183,732	30,934,676	29,266,114
EXPENSES				
Program Services:				
Residential Treatment	11,295,280	-	11,295,280	11,620,168
North Chicago	1,691,742	-	1,691,742	1,706,904
Group Home	1,000,751	-	1,000,751	1,233,883
Autism Program	1,584,490	-	1,584,490	1,640,967
Special Education	7,889,904	-	7,889,904	8,186,883
Foster Care	1,246,332	-	1,246,332	1,351,664
Homeless Youth	1,009,718	-	1,009,718	614,124
Youth Community Services	724,214	-	724,214	676,011
Outpatient Clinic	433,859	-	433,859	660,836
Total Program Services	26,876,290	-	26,876,290	27,691,440
Support Services:				
Management and General	2,941,600	-	2,941,600	2,947,835
Fundraising	336,552	-	336,552	347,762
Total Support Services	3,278,152	-	3,278,152	3,295,597
Total Expenses	30,154,442	-	30,154,442	30,987,037
CHANGE IN NET ASSETS BEFORE NONOPERATING INCOME	596,502	183,732	780,234	(1,720,923)
NONOPERATING INCOME				
Pension-Related Changes Other than Net Periodic Benefit Cost	643,619	-	643,619	637,767
CHANGE IN NET ASSETS	1,240,121	183,732	1,423,853	(1,083,156)
Net Assets - Beginning of Year	15,911,811	854,647	16,766,458	18,896,506
Prior Period Adjustment - See Note 17	-	-	-	(1,046,892)
Net Assets - Beginning of Year, As Restated	15,911,811	854,647	16,766,458	17,849,614
NET ASSETS - END OF YEAR	<u>\$ 17,151,932</u>	<u>\$ 1,038,379</u>	<u>\$ 18,190,311</u>	<u>\$ 16,766,458</u>

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	Program Services							Youth
	Residential Treatment	North Chicago	Group Home	Autism Program	Special Education	Foster Care	Homeless Youth	Community Services
Salaries	\$ 6,929,474	\$ 962,249	\$ 615,168	\$ 1,026,767	\$ 5,018,517	\$ 574,721	\$ 699,625	\$ 465,960
Employee Benefits	1,194,899	164,878	110,926	179,590	965,678	110,448	124,725	91,865
Payroll Taxes	511,265	70,995	45,390	75,758	370,328	42,409	51,621	34,386
Total	8,635,638	1,198,122	771,484	1,282,115	6,354,523	727,578	875,971	592,211
Professional Fees and Contract Service Payments	508,228	81,413	41,331	129,903	239,594	17,288	3,586	3,876
Supplies	663,488	89,785	34,153	37,472	284,140	18,809	43,707	16,378
Telecommunications	58,569	13,662	8,065	3,165	36,019	17,579	5,903	15,681
Postage and Shipping	11,004	2,026	1,420	1,867	7,665	745	993	662
Occupancy	252,944	44,138	20,816	7,622	352,790	18,332	21,960	51,934
Equipment Repairs, Maintenance, and Rentals	53,220	4,225	6,546	4,627	22,809	2,170	3,505	1,272
Insurance Premiums	249,534	45,935	32,201	42,329	157,217	16,895	22,527	15,018
Outside Printing, Artwork, Etc.	5,303	988	648	852	3,230	340	593	504
Local Transportation	79,531	14,804	8,520	8,199	34,436	26,811	7,136	11,743
Training, Conferences, and Meetings	6,495	802	562	79	1,711	12	12	517
Subscriptions and Reference Publications	825	152	106	140	520	56	74	50
Client-Specific Assistance	204,688	30,086	22,233	13,770	14,601	381,072	4,430	174
Membership and Accreditation Dues	-	-	-	-	6,578	-	-	179
Staff Recruitment and Marketing Advertising	28,434	5,053	3,542	4,657	21,065	1,858	2,615	2,108
Foster Care and Volunteer Recruiting Advertising	-	-	-	-	-	595	-	-
Interest Expenses and Financing Fees	24,412	14,063	1,417	1,863	21,808	744	991	662
Bad Debt Expenses	2,908	-	-	-	-	-	-	-
Miscellaneous	62,585	825	434	3,678	2,261	28	137	26
Depreciation	447,474	145,663	47,273	42,152	328,937	15,420	15,578	11,219
Total Expenses by Function	\$ 11,295,280	\$ 1,691,742	\$ 1,000,751	\$ 1,584,490	\$ 7,889,904	\$ 1,246,332	\$ 1,009,718	\$ 724,214

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	Program Services		Support Services			2024	2023
	Outpatient Clinic	Total	Management and General	Fundraising	Total	Total	Total
Salaries	\$ 270,936	\$ 16,563,417	\$ 1,672,842	\$ 212,761	\$ 1,885,603	\$ 18,449,020	\$ 18,776,712
Employee Benefits	53,248	2,996,257	337,478	42,166	379,644	3,375,901	3,539,220
Payroll Taxes	19,997	1,222,149	123,453	15,700	139,153	1,361,302	1,507,125
Total	344,181	20,781,823	2,133,773	270,627	2,404,400	23,186,223	23,823,057
Professional Fees and Contract Service Payments	13,568	1,038,787	174,080	-	174,080	1,212,867	1,171,452
Supplies	12,611	1,200,543	272,357	30,683	303,040	1,503,583	1,461,233
Telecommunications	4,127	162,770	8,716	1,666	10,382	173,152	295,875
Postage and Shipping	351	26,733	2,887	1,388	4,275	31,008	33,111
Occupancy	20,178	790,714	17,403	3,008	20,411	811,125	721,457
Equipment Repairs, Maintenance, and Rentals	674	99,048	-	-	-	99,048	141,215
Insurance Premiums	7,978	589,634	39,235	5,632	44,867	634,501	599,063
Outside Printing, Artwork, Etc.	366	12,824	-	8,666	8,666	21,490	24,722
Local Transportation	1,529	192,709	6,804	288	7,092	199,801	194,190
Training, Conferences, and Meetings	3,614	13,804	161	204	365	14,169	17,231
Subscriptions and Reference Publications	27	1,950	650	-	650	2,600	1,488
Client-Specific Assistance	2	671,056	-	-	-	671,056	893,809
Membership and Accreditation Dues	2,197	8,954	890	210	1,100	10,054	57,739
Staff Recruitment and Marketing Advertising	1,062	70,394	7,456	-	7,456	77,850	121,469
Foster Care and Volunteer Recruiting Advertising	-	595	-	-	-	595	-
Interest Expenses and Financing Fees	2,981	68,941	2,627	2,631	5,258	74,199	85,112
Bad Debt Expenses	-	2,908	-	-	-	2,908	(79,400)
Miscellaneous	196	70,170	-	11,549	11,549	81,719	66,902
Depreciation	18,217	1,071,933	274,561	-	274,561	1,346,494	1,357,312
Total Expenses by Function	\$ 433,859	\$ 26,876,290	\$ 2,941,600	\$ 336,552	\$ 3,278,152	\$ 30,154,442	\$ 30,987,037

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACITIVITIES		
Change in Net Assets	\$ 1,423,853	\$ (1,083,156)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	1,346,494	1,357,312
Bond Cost Amortization	4,923	4,924
Net Realized and Unrealized Gains on Investments	(788,205)	(395,285)
Change in Value of Interest Rate Swap		
and Split-Interest Agreements	7,657	(17,504)
Bad Debt Expense (Recovery)	2,908	(79,400)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(719,320)	748,149
Prepaid Expenses and Other	(505,185)	1,473
Advances and Deposits	3,050	(7,751)
Accounts Payable and Other Accrued Expenses	(113,889)	61,015
Accrued Pension Cost	(111,337)	(558,965)
Deferred Revenue	728,201	-
Net Cash Provided by Operating Activities	<u>1,279,150</u>	<u>30,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	2,465,277	5,882,221
Purchases of Investments	(2,257,587)	(6,087,228)
Capital Expenditures	(471,460)	(869,658)
Net Cash Used by Investing Activities	<u>(263,770)</u>	<u>(1,074,665)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bond	(157,200)	(149,700)
Payments on Loan	(185,759)	(180,331)
Net Cash Used by Financing Activities	<u>(342,959)</u>	<u>(330,031)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	672,421	(1,373,884)
Cash and Cash Equivalents - Beginning of Year	<u>2,251,641</u>	<u>3,625,525</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,924,062</u></u>	<u><u>\$ 2,251,641</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments of Interest	<u><u>\$ 54,409</u></u>	<u><u>\$ 64,620</u></u>
Fixed Asset Invoices Included in Accounts Payable	<u><u>\$ -</u></u>	<u><u>\$ 112,947</u></u>

See accompanying Notes to Financial Statements.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

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.

Revenue Recognition

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

- Government support
- Program sales
- Service fees

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (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 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. Government support is subject to retroactive review and adjustment by the funding agency.

Financial awards from federal, state and local governments in the form of grants are subject to granter review. Such review could result in claims against Allendale for disallowed costs or noncompliance with granter requirements. No provision has been made for any liabilities that may arise from such reviews because the amounts, if any, cannot be determined at this time.

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.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Allendale uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices has not changed significantly. Allendale also assesses business and economic future conditions. A loss rate is developed for each risk category based on aging. Management reviews trade accounts receivable on a consistent basis and follows up with those customers that are delinquent. Management also records a general billing reserve based on historical billing adjustments, which may occur for a variety of reasons. An allowance for credit losses was recorded as of June 30, 2024 and 2023, of \$164,280 and \$619,477, respectively.

The beginning and closing balances of accounts receivable for the year ended June 30, 2024, were \$1,029,905 and \$1,746,317, respectively. The beginning and closing balances of accounts receivable for the year ended June 30, 2023, were \$1,698,654 and \$1,029,905, 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.

Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. At June 30, 2024 and 2023, there were \$269,250 and \$-0-, respectively, of contributions not recognized in the accompanying financial statements because conditions have not been met.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 1 SUMMARY OF 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 \$2,500 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

Deferred Revenue

Deferred revenue consists of overpayments totaling \$1,775,093 and \$1,046,892 as of June 30, 2024 and 2023, respectively, from the Illinois Department of Children and Family Services.

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.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
- 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).

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The liability for excess revenues is based on management's assessment of the estimated amounts due to funding sources for program revenues in excess of program expenses. If actual excess revenues are higher than the historical experience, management's estimates of the amounts due from Allendale could be adversely affected. A liability of \$1,775,093 and \$1,046,892 as of June 30, 2024 and 2023, respectively, has been included with deferred revenue on the statements of financial position. The funding source has indicated its intent to mitigate the excess revenue by allowing certain unallowed expenses and program deficits in other programs funded by this source. Allendale will reduce the liability recorded once resolution with the funding source is known.

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 GAAP. Accordingly, such information should be read in conjunction with Allendale's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Adoption of New Accounting Standards

Allendale has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. Allendale adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on Allendale's financial statements or how the allowance for credit losses is determined.

Subsequent Events

The financial statements and related disclosures include evaluation of events through February 19, 2025, which is the date the financial statements were available to be issued.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 2 ACCOUNTS RECEIVABLE

The following is the detail of trade accounts receivable:

	2024	2023
Program Service Fees and Grants -		
Net of Billing Reserve	\$ 1,740,137	\$ 1,028,633
Other	6,180	1,272
Total	<u>\$ 1,746,317</u>	<u>\$ 1,029,905</u>

NOTE 3 PLEDGES RECEIVABLE

Allendale's pledges receivable as of June 30, 2024 and 2023 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, 2024 and 2023.

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, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

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:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable Equity Funds				
U.S. Large Cap	\$ 840,958	\$ -	\$ -	\$ 840,958
U.S. Mid Cap	284,576	-	-	284,576
U.S. Small Cap	170,138	-	-	170,138
Real Estate Fund	80,506	-	-	80,506
Mutual Funds				
Equity	4,476,829	-	-	4,476,829
Fixed Income	603,462	-	-	603,462
U.S. Treasury Securities	115,470	-	-	115,470
Fixed-Income Funds				
Corporate Bonds	-	1,577,117	-	1,577,117
International Bonds	-	91,574	-	91,574
U.S. Treasuries	-	658,464	-	658,464
Interest Rate Swap	-	18,648	-	18,648
Total	<u>\$ 6,571,939</u>	<u>\$ 2,345,803</u>	<u>\$ -</u>	<u>\$ 8,917,742</u>
	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	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
U.S. Treasury Securities	188,796	-	-	188,796
Savings Certificates	-	-	-	-
Fixed-Income Funds	-			
Corporate Bonds	-	1,488,869	-	1,488,869
International Bonds	-	89,555	-	89,555
US 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>\$ 8,415,970</u>

Not included in the tables above is \$456,363 and \$385,277 of cash held in the investment account at June 30, 2024 and 2023, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

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.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2024	2023
Land and Improvements	\$ 2,285,412	\$ 2,285,412
Building and Improvements	29,909,415	29,060,036
Furniture and Equipment	7,223,678	7,153,629
Vehicles	1,017,101	1,037,585
Assets Under Construction	94,835	542,300
Total	40,530,441	40,078,962
Less: Accumulated Depreciation	32,097,312	30,770,799
Property and Equipment, Net	<u>\$ 8,433,129</u>	<u>\$ 9,308,163</u>

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, 2024 and 2023, Allendale owns approximately 2% and 1%, respectively, of Vision and has a member fund balance of approximately \$934,000 and \$613,000, respectively, and accounts for its investment using the cost method. At June 30, 2024 and 2023, Allendale has a standby letter of credit with a bank for approximately \$760,000 and \$784,000, respectively, that represents additional paid in capital that could be drawn upon if needed.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

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, 2024 and 2023. Interest is payable monthly at a variable rate, as determined by the bank's prime interest rate index (an effective rate of 8.5% at June 30, 2024 and 2023, respectively). Interest expense for 2024 and 2023 was \$962 and \$5, respectively. The line of credit is collateralized by a security interest in all of Allendale's assets and matures in February 2025. There were no outstanding borrowings as of June 30, 2024 and 2023. It is management's expectation the line of credit will be renewed.

Subsequent to year-end, the line of credit was renewed to extend the maturity date to February 2026.

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.

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, 2024 and 2023, was \$455,798 and \$641,557, 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 5.66% and 5.56% as of June 30, 2024 and 2023, respectively. The bond payable balance was \$833,400 and \$990,600 as of June 30, 2024 and 2023, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 8 BONDS AND LOANS PAYABLE (CONTINUED)

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, 2024:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 362,442
2026	374,745
2027	252,010
2028	192,600
2029	107,401
Total	<u>\$ 1,289,198</u>

Interest expense for 2024 and 2023 was \$54,409 and \$64,620, respectively.

NOTE 9 INTEREST RATE SWAP AGREEMENTS

Allendale's interest rate swap agreement with a notional balance of \$833,400 and \$990,600 as of June 30, 2024 and 2023, 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:

	<u>Asset Derivatives</u>	
	<u>2024</u>	<u>2023</u>
Fair Value of Interest Rate Swap Asset	<u>\$ 18,648</u>	<u>\$ 26,305</u>

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

	<u>Amount of Gain Recognized in Earnings</u>	
	<u>2024</u>	<u>2023</u>
Change in Fair Value of Interest Rate Swap Agreement - Net of Periodic Settlement Payments	<u>\$ (7,657)</u>	<u>\$ 17,504</u>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

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

	2024	2023
Projected Benefit Obligation	\$ 6,430,903	\$ 6,852,260
Fair Value of Plan Assets at End of Year	6,933,176	6,740,923
Funded Status	<u>\$ 502,273</u>	<u>\$ (111,337)</u>

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

	2024	2023
Accrued Pension Cost	<u>\$ -</u>	<u>\$ (111,337)</u>

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

	2024	2023
Net Actuarial Loss	<u>\$ 259,448</u>	<u>\$ 903,067</u>
	2024	2023
Net Periodic Benefit Cost and Benefits Paid:		
Net Periodic Benefit Cost	\$ 30,009	\$ 78,802
Benefits Paid	(119,395)	(195,728)
Other Changes in Plan Assets and Benefit Obligations		
Recognized in the Statement of Activities:		
Net Loss	(600,705)	(540,296)
Amortization of Net Loss	(28,365)	(97,471)
Amount Recognized due to Special Event	(14,549)	-
Total Recognized in the Statement of Activities	<u>(643,619)</u>	<u>(637,767)</u>
Total Recognized in Net Periodic Benefit Cost and Statement of Activities	<u>\$ (733,005)</u>	<u>\$ (754,693)</u>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 10 PENSION AND OPEB (CONTINUED)

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

	<u>2024</u>	<u>2023</u>
Discount Rate:		
Preretirement	5.05 %	4.60 %
Postretirement	5.05	4.60
Net Periodic Benefit Cost	5.40	5.05
Long-Term Rate of Return on Plan Assets	6.40	6.00

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

	<u>2024</u>	<u>2023</u>
Equity Securities	52.44 %	60.16 %
Fixed Income	47.56	39.84

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, 2024 and 2023, the target allocations for the pension plan by asset category are as follows: equity securities – 50%, fixed income and cash – 50%.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 10 PENSION AND OPEB (CONTINUED)

Pension Plan Assets (Continued)

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

	2024		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable Equity Securities	\$ 3,636,086	\$ -	\$ 3,636,086
Fixed-Income Funds	3,297,090	-	3,297,090
Total	<u>\$ 6,933,176</u>	<u>\$ -</u>	<u>\$ 6,933,176</u>

	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>

The tables above present information about the pension plan assets measured at fair value at June 30, 2024 and 2023, 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.

As of June 30, 2024 and 2023, Allendale accrued interest payable to the spouse of a former employee, as previously authorized by the board of trustees, in the amount of \$42,336 and \$46,681, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 PENSION AND OPEB (CONTINUED)

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>
2025	\$ 1,480,000
2026	260,000
2027	410,000
2028	940,000
2029	640,000
Thereafter	<u>\$ 2,600,000</u>

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 \$586,566 and \$611,284 for the years ended June 30, 2024 and 2023, 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>
2025	<u>\$ 8,551</u>

Rent expense charged to operations, including pass-through operating expenses for certain locations and short-term leases, amounted to \$184,527 and \$181,987 for the years ended June 30, 2024 and 2023, respectively.

Allendale recognizes payments for short-term leases with a lease term of 12 months or less as expenses as incurred. Leases under this arrangement amounted to \$15,000 for the years ended June 30, 2024 and 2023, respectively.

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 DONOR-RESTRICTED NET ASSETS

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

	2024	2023
Purpose Restrictions:		
Alumni Scholarship Funds	\$ 11,364	\$ 10,287
New Games Room	215,248	123,851
Labyrinth Project	28,366	25,000
Bilingual Therapy Resources	-	12,328
Miscellaneous	84,093	-
Group Home Renovations	503,665	487,538
Total Purpose Restrictions	<u>842,736</u>	<u>659,004</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><u>\$ 1,038,379</u></u>	<u><u>\$ 854,647</u></u>

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.

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

NOTE 14 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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

2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 9,173,448	\$ -	\$ 9,173,448
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>\$ 9,173,448</u>	<u>\$ 170,643</u>	<u>\$ 9,344,091</u>
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	<u>\$ 8,594,012</u>	<u>\$ 170,643</u>	<u>\$ 8,764,655</u>

ALLENDALE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023)

NOTE 14 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 8,594,012	\$ 170,643	\$ 8,764,655
Net Investment Return:			
Realized	298,046	11,364	309,410
Unrealized	718,682	-	718,682
Investment Management Fees	(37,292)	-	(37,292)
Appropriation of Endowment			
Assets for Expenditure	(400,000)	(11,364)	(411,364)
Endowment Net Assets -			
End of Year	<u>\$ 9,173,448</u>	<u>\$ 170,643</u>	<u>\$ 9,344,091</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 7,994,642	\$ 170,643	\$ 8,165,285
Net Investment Return:			
Realized	506,950	10,287	517,237
Unrealized	127,523	-	127,523
Investment Management Fees	(35,103)	-	(35,103)
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>

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, 2024 and 2023, there were no funds with deficiencies.

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NOTE 14 ENDOWMENT (CONTINUED)

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 66% and 67% of the total revenue for the fiscal years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, 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 \$384,280 and \$504,037, respectively.

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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:

	2024	2023
Financial Assets		
Cash and Cash Equivalents	\$ 2,924,062	\$ 2,251,641
Receivables - Net	1,746,317	1,029,905
Investments	9,355,457	8,774,942
Pledges Receivable	25,000	25,000
Total	14,050,836	12,081,488
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)	4,173,448	3,594,012
Donor-Restricted - Time or Purpose	842,736	659,004
Contractually Restricted by Debt Covenant	5,000,000	5,000,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,839,009</u>	<u>\$ 2,632,829</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 \$3,718,000 and \$3,820,000 at June 30, 2024 and 2023, 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.

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NOTE 17 PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect a restatement of beginning of year net assets to include the deferred revenue as a result of the understatement of DCFS excess revenue. The effect of this entry was a restatement to decrease net assets without donor restrictions as of July 1, 2022 by \$1,046,892. This restatement also increased deferred revenue by \$1,046,892 on the statements of financial position.

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Net Assets, June 30, 2023, as Previously Reported	\$ 18,049,080	\$ 847,426	\$ 18,896,506
To Adjust Deferred Revenue	<u>(1,046,892)</u>	<u>-</u>	<u>(1,046,892)</u>
Beginning Net Assets, June 30, 2023, as Restated	<u>\$ 17,002,188</u>	<u>\$ 847,426</u>	<u>\$ 17,849,614</u>



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