FAMILY RESOURCE CENTER
d/b/a ADOPTION CENTER OF ILLINOIS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Resource Center
d/b/a Adoption Center of Illinois
Chicago, Illinois

Opinion

We have audited the accompanying consolidated financial statements of FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS (an Illinois nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS 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 FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted 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, including omissions, 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 generally accepted 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 FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS'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 FAMILY RESOURCE CENTER d/b/a ADOPTION CENTER OF ILLINOIS'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.

Warady & Davis LLP

February 1, 2023

STATEMENTS OF FINANCIAL POSITION

As of September 30		2022		2021
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$	**1,049,474**	$	1,454,316
Investments		**233,367**		—
Accounts Receivable		**24,866**		10,933
Contributions Receivable		**10,772**		—
Government Grants Receivable - Employee Retention Credit		**239,306**		—
Prepaid Expenses		**38,284**		39,440
Total Current Assets		**1,596,069**		1,504,689
PROPERTY AND EQUIPMENT, NET		**465,814**		476,186
INTANGIBLE ASSETS, NET		**26,921**		28,212
	$	**2,088,804**	$	2,009,087
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Obligation Under Capital Lease	$	**—**	$	349
Accounts Payable		**22,122**		23,484
Accrued Payroll and Benefits		**47,307**		60,548
Accrued Vacation		**—**		14,582
Accrued Pension Expense		**24,484**		16,096
Other Accrued Expenses		**44,099**		27,524
Deferred Revenue		**105,425**		143,458
Payroll Protection Program Loan		**—**		130,000
Total Current Liabilities		**243,437**		416,041
NET ASSETS				
Without Donor Restriction		**1,821,623**		1,591,515
With Donor Restriction - Time and Purpose		**23,744**		1,531
Total Net Assets		**1,845,367**		1,593,046
	$	**2,088,804**	$	2,009,087

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30	2022			2021		
	Without Donor Restriction	**With Donor Restriction - Time and Purpose**	**Total**	Without Donor Restriction	With Donor Restriction - Time and Purpose	Total
REVENUES						
Public Support						
Contributions and Grants						
Adoptive Parents and Others	**$ 97,356**	**$**	**$ 97,356**	$ 93,965	$	$ 93,965
Government Grants - Employee Retention Credit		**235,009**	**235,009**			—
Donated Goods and Services	**37,168**	**23,744**	**60,912**	28,471		28,471
Special Event						
Fund Raising Events	**145,646**		**145,646**	155,071		155,071
Less: Event Expenses	**(17,432)**		**(17,432)**	(14,348)		(14,348)
Net Fund Raising	**128,214**		**128,214**	140,723		140,723
Total Public Support	**262,738**	**258,753**	**521,491**	263,159		263,159
Program Revenue						
Adoption Fees	**968,444**		**968,444**	1,194,755		1,194,755
Other Revenues, net						
Net Realized and Unrealized Losses on Investments	**(66,526)**		**(66,526)**			—
Dividend and Interest Income, net	**14,773**		**14,773**	138		138
Loss on Disposal of Property and Equipment	**(1,400)**		**(1,400)**	(984)		(984)
Miscellaneous Income	**710**		**710**	115		115
Payroll Protection Program Loan Forgiveness		**130,000**	**130,000**		128,087	128,087
Rental Income						
Revenue	**51,350**		**51,350**	50,400		50,400
Less: Rental Expenses	**(51,842)**		**(51,842)**	(44,462)		(44,462)
Net Rental Income (Loss)	**(492)**		**(492)**	5,938		5,938
Total Other Revenues, net	**(52,935)**	**130,000**	**77,065**	5,207	128,087	133,294
Net Assets Released from Restriction	**366,540**	**(366,540)**	—	128,087	(128,087)	—
Total Revenue and Other Support	**1,544,787**	**22,213**	**1,567,000**	1,591,208		1,591,208
EXPENSES						
Program Services						
Adoption Services	**833,479**		**833,479**	751,612		751,612
			—			—
Supporting Services						
Management and General	**367,896**		**367,896**	404,534		404,534
Fundraising	**113,304**		**113,304**	97,604		97,604
Total Supporting Services	**481,200**		**481,200**	502,138		502,138
Total Expenses	**1,314,679**		**1,314,679**	1,253,750		1,253,750
CHANGE IN NET ASSETS	**230,108**	**22,213**	**252,321**	337,458		337,458
Net Assets, Beginning	**1,591,515**	**1,531**	**1,593,046**	1,254,057	1,531	1,255,588
NET ASSETS, ENDING	**$ 1,821,623**	**$ 23,744**	**$ 1,845,367**	$ 1,591,515	$ 1,531	$ 1,593,046

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30	2022						2021					
	Adoption Services	**Management and General**	**Fundraising**	**Special Event Expenses**	**Rental Activities**	**Total**	Adoption Services	Management and General	Fundraising	Special Event Expenses	Rental Activities	Total
Payroll	**$ 469,441**	**$ 194,045**	**$ 55,020**	**$ —**	**$ 12,002**	**$ 730,508**	$ 401,525	$ 272,823	$ 50,519	$ —	$ 7,798	$ 732,665
Fringe Benefits and Payroll Taxes	**114,730**	**47,424**	**13,447**	**—**	**—**	**175,601**	86,352	58,673	10,865	—	—	155,890
Medical, Prenatal and Other Living Expenses	**23,927**	**—**	**788**	**—**	**—**	**24,715**	22,569	—	—	—	—	22,569
Occupancy	**6,482**	**1,394**	**1,229**	**—**	**—**	**9,105**	10,710	2,299	2,037	—	—	15,046
Insurance	**12,025**	**7,043**	**2,969**	**—**	**2,273**	**24,310**	13,537	5,927	2,575	—	2,240	24,279
Telephone	**5,775**	**841**	**745**	**—**	**—**	**7,361**	6,023	1,045	926	—	—	7,994
Supplies	**1,657**	**241**	**114**	**6,869**	**—**	**8,881**	3,448	279	248	250	—	4,225
Distribution	**459**	**1,417**	**—**	**—**	**—**	**1,876**	1,385	173	153	—	—	1,711
Travel and Housing	**13,907**	**—**	**—**	**—**	**—**	**13,907**	9,602	—	10	—	—	9,612
Equipment Rental, Repairs and Maintenance	**109**	**817**	**21**	**—**	**3,186**	**4,133**	416	89	79	—	3,047	3,631
Professional Service Fees	**24,305**	**89,588**	**23,005**	**—**	**—**	**136,898**	50,859	45,216	11,625	—	—	107,700
Event Entertainment	**—**	**—**	**—**	**2,748**	**—**	**2,748**	—	—	—	2,452	—	2,452
Education and Research	**555**	**2,980**	**17**	**—**	**—**	**3,552**	1,163	221	196	—	—	1,580
Humanitarian Aid and Special Assistance	**—**	**—**	**—**	**—**	**—**	**—**	12,000	—	—	—	—	12,000
Meeting Expense	**9,905**	**94**	**83**	**—**	**—**	**10,082**	7,677	118	104	—	—	7,899
Communications	**100,451**	**4,260**	**7,654**	**228**	**—**	**112,593**	84,873	5,930	11,256	5,262	—	107,321
Real Estate Taxes	**—**	**—**	**—**	**—**	**15,787**	**15,787**	—	—	—	—	14,686	14,686
Contractual Services	**—**	**2,450**	**—**	**—**	**—**	**2,450**	7,385	—	946	—	—	8,331
Depreciation and Amortization	**28,881**	**6,189**	**5,500**	**—**	**11,126**	**51,696**	24,814	5,325	4,721	—	10,602	45,462
Credit Card and Banking Fees	**—**	**6,294**	**954**	**—**	**—**	**7,248**	—	5,947	931	—	—	6,878
Interest	**—**	**10**	**—**	**—**	**—**	**10**	81	17	15	—	—	113
Utilities	**8,912**	**1,916**	**1,690**	**—**	**7,468**	**19,986**	—	—	—	—	6,089	6,089
Venue and Catering	**—**	**—**	**—**	**3,661**	**—**	**3,661**	—	—	—	4,111	—	4,111
Miscellaneous	**11,958**	**893**	**68**	**3,926**	**—**	**16,845**	7,193	452	398	2,273	—	10,316
Less Expenses Netted with Revenues on Statement of Activities	**—**	**—**	**—**	**(17,432)**	**(51,842)**	**(69,274)**	—	—	—	(14,348)	(44,462)	(58,810)
TOTALS	**$ 833,479**	**$ 367,896**	**$ 113,304 $**	**$ —**	**$ —**	**$1,314,679**	$ 751,612	$ 404,534	$ 97,604	$ —	$ —	$ 1,253,750

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ 252,321**	$ 337,458
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	**38,405**	37,402
Amortization of Intangible Assets	**13,291**	8,060
Loss on Disposal of Property and Equipment	**1,400**	984
Donated Stock	**(10,537)**	(8,107)
Proceeds from Sale of Donated Stock	**10,537**	8,107
Donated Property and Equipment	**(10,772)**	—
Forgiveness of Payroll Protection Program Loan	**(130,000)**	(128,087)
Net Realized and Unrealized Losses on Investments	**66,526**	—
Increase in Accounts Receivables	**(13,933)**	(8,033)
Increase in Contributions Receivables	**(10,772)**	—
Increase in Government Grants Receivable - Employee Retention Credit	**(239,306)**	—
Decrease in Prepaid Expenses	**1,156**	5,214
Increase (Decrease) in Accounts Payable	**(1,362)**	13,658
Increase (Decrease) in Accrued Expenses	**(2,860)**	31,691
Increase (Decease) in Deferred Revenue	**(38,033)**	33,233
Total Adjustments	**(326,260)**	(5,878)
Net Cash Provided (Used) by Operating Activities	**(73,939)**	331,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	**(18,661)**	(65,942)
Purchases of Intangibles	**(12,000)**	—
Purchases of Investments	**(299,893)**	—
Net Cash Used by Investing Activities	**(330,554)**	(65,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Obligation Under Capital Lease	**(349)**	(4,113)
Proceeds from Payroll Protection Program Loan	**—**	130,000
Net Cash Provided (Used) by Financing Activities	**(349)**	125,887
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(404,842)**	391,525
Cash and Cash Equivalents, Beginning	**1,454,316**	1,062,791
CASH AND CASH EQUIVALENTS, ENDING	**$ 1,049,474**	$ 1,454,316
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	**$ 10**	$ 113
Noncash Activities		
Donated Services	**$ 8,980**	$ 4,125
Donated Prepaid Security Monitoring Services	**$ 2,200**	$ —
Donated Auction Items	**$ 28,188**	$ 24,346
Pledged Donation of Property and Equipment	**$ 10,772**	$ —

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION ACTIVITIES

Family Resource Center ("FRC") d/b/a Adoption Center of Illinois ("ACI") was founded in 1987 as a not-for-profit organization. FRC is a licensed child welfare agency in Illinois committed to facilitating and improving the adoptive and foster care process by providing traditional adoption and foster care services. FRC is a Hague accredited Adoption Service Provider by the Council on Accreditation. As a Hague Outgoing case provider, FRC is approved to place children with Non-U.S. resident adoptive families. During the year ended September 30, 2022, 15% of total revenue and other support and 87% of total receivables at September 30, 2022, are due from one government grantor. There were no such concentrations during the year ended September 30, 2021.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements of FRC, which have been prepared on the accrual basis of accounting. The financial statements and notes are representations of management which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

FINANCIAL STATEMENT PRESENTATION

In preparation of the financial statements, FRC has followed the provisions of the Financial Accounting Standards Board (FASB) Codification topic related to financial statements of not-for-profit organizations. Under the standards, FRC is required to report information regarding its financial position and activities into two classes of net assets: without donor restriction and with donor restriction.

Without donor restriction – Net assets that are not restricted by donors, or for which donor-imposed restrictions have expired. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors.

With donor restriction – Net assets are subject to donor-imposed stipulations that may or will be met either by actions of the organization (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the accompanying financial statements as net assets released from restriction. Additionally, there may be funds subject to donor-imposed stipulations that the resources be maintained permanently by FRC. There were no net assets restricted in perpetuity as of September 30, 2022, or 2021.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 may differ from those estimates.

RECEIVABLES

Accounts receivables consist primarily of adoption fees. Contributions receivable as of September 30, 2022, consists of one in-kind donation pledged by a donor. Receivables are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of individuals and donors having outstanding balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management considers all receivables to be fully collectible at September 30, 2022 and 2021. Accordingly, no allowances for doubtful accounts are required. Individual accounts are written off when collection appears doubtful.

PROPERTY AND EQUIPMENT

Property and equipment additions of $1,000 or more are recorded at cost when purchased, or if donated, at fair value on the date of donation. Property and equipment are depreciated over their estimated useful lives on a straight-line basis. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred. The estimated useful lives for determining depreciation of the various classes of assets are as follows:

Asset	Useful Life
Building and Building Improvements	10 – 30 years
Land Improvements	5 years
Equipment	3 – 12 years
Furniture and Fixtures	5 – 10 years

INTANGIBLE ASSETS

Intangible assets with a finite life are amortized. The useful life of an intangible asset to the Organization is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Organization. The Organization’s intangible assets have an estimated useful life of five years and are amortized using the straight-line method of amortization.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

DONATED GOODS AND SERVICES

Donated goods are recorded as public support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or time period of use. FRC received donated auction items, which were sold during the Organization's special events in the years ended September 30, 2022 and 2021 for $28,188 and $24,346, respectively. Also, during the year ended September 30, 2022, FRC received donated property and equipment for security upgrades of $10,772 and a promise to receive additional in-kind donation of property and equipment for $10,772, which is recorded in contributions receivable on the statement of financial position as of September 30, 2022. FRC also received a $2,200 donation of security monitoring services, which the donor paid on the Organization's behalf. The donation covers three years of such services, which will begin once all security equipment is installed, after September 30, 2022, and therefore the entire amount is included in prepaid expenses on the statements of financial position as of September 30, 2022.

Donations of services are recorded if they create or enhance a non-financial asset, or they require specialized skills which would have to be purchased if they were not donated. During 2022 and 2021, the Organization received donated professional services valued at $8,980 and $4,125, respectively, which consisted of accounting services and were utilized by FRC's supporting services. They were recorded at the estimated fair value based on the current rates for similar accounting services in the Chicagoland area. These amounts were included in donated goods and services revenue and in professional service fees in the statements of functional expenses.

There were no donor-imposed restrictions associated with the donated professional services.

Additionally, a substantial number of unpaid volunteers and members of the Board of Directors and Committees of FRC have made significant contributions of their time. The value of these services is not reflected in these financial statements since they do not meet the criteria for recognition under the FASB Codification topic related to contributions made and received.

PUBLIC SUPPORT

Public support consists primarily of amounts received from donors.

The Employee Retention Credit (ERC) was enacted in 2020 under the CARES Act and was significantly expanded and extended for all of 2021 by the American Rescue Plan Act. The purpose of this refundable credit is to help businesses keep employees on payroll by offsetting some of the associated costs. ERC is conditional on FRC meeting certain employer eligibility criteria, as well as incurring qualifying expenses with specific per-employee caps. As such, FRC is accounting for the ERC as a conditional government grant under ASC 958-605. For the year ended September 30, 2022, FRC met the conditions on eligibility and incurred qualified costs, which entitled it to an ERC of $235,009. The amount is reported in government grants with donor restriction on the statements of activities and in government grants receivable on the statements of financial position, including accrued interest of $4,297. The entire receivable was collected subsequent to September 30, 2022.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or supporting service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions. These costs include, among others, salaries and related taxes and fringe benefits, insurance, occupancy costs, telephone, supplies and professional fees.

REVENUE RECOGNITION

FRC offers adoption services for a fee in several distinct programs - traditional adoption, domestic home study, international home study, primary provider and agency assisted programs. FRC recognizes the revenue from each of these programs in phases based on its performance obligations under each phase. FRC bills separately for each phase in the adoption process and payments from the adoptive parents are not due until their case advances to the next phase in their respective adoption program.

The Phase I revenue in the traditional adoption, domestic home study, international home study and agency assisted programs is allocated based on the stand-alone prices of the performance obligations. The portion of the Phase I contract price allocated to the initial application interview, training and orientation is recognized at a point in time when the performance obligations are satisfied, which typically occurs within two weeks after receipt of payment. The remaining portion of the Phase I contract price is allocated to the performance of a home study and that revenue is deferred until the point in time when the study is completed. The timing of completion of that performance obligation and its revenue recognition varies by contract and is dependent upon the potential adoptive family's schedule.

Phase I in the primary provider program has one performance obligation – the assessment of the viability of a possible adoptive placement. Completion of this obligation requires review of drafts of home studies performed by other agencies, review of documentation related to a potential adoption or finalized adoption, communication with other adoption service providers and ultimately, determination of the viability of a possible adoptive placement. In this program, the payment is made upon completion of that determination, and therefore the revenue is recognized at that point in time.

The performance obligation in Phase II of the traditional adoption and the agency assisted program is to facilitate the creation of adoptive family profiles and upload them to FRC's website. FRC recognizes the revenue at the time the profiles are posted, which typically takes place within three weeks from receipt of payment.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The performance obligation in Phase II of the primary provider program relates primarily to assistance with completion of certain immigration forms. The revenue is recognized at the point in time FRC has substantially completed its performance obligation and delivered drafts of the forms to the adoptive parents, which is typically done within three weeks after payment is received.

The Phase III contract price in the traditional adoption and the agency assisted program is allocated based on relative effort in fulfilling the two performance obligations and involves significant judgements and estimation. Payment for a contract in this phase is due within a week after placement of a child in adoption. Based on management's estimates, eighty percent of the contract price is allocated to the actual placement at which point the related revenue is recognized. The remaining twenty percent of the Phase III revenue is allocated to the performance obligation of post-placement visits and continuous support until the adoption is finalized, which takes up to six months. The revenue from the contract price allocated to the post-placement performance obligation is recognized ratably over the period between placement and final adoption.

With the exception of Phase III contracts, once FRC has completed its performance obligations under a contract, refunds are not typically issued. In Phase III contracts however, in the rare event that the adoptive placement of a child is reversed prior to the finalization of the adoption due to a successful legal challenge brought by a biological parent, a full refund of the Phase III placement fee is issued and any previously recognized revenue is reversed at that time.

For the year ended September 30, 2022, program service adoption fees revenue recognized at a point in time was $937,111 and recognized over time was $31,333.

For the year ended September 30, 2021, program service adoption fees revenue recognized at a point in time was $1,157,888 and recognized over time was $36,867.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at September 30:

	2022	2021
Cash and Cash Equivalents	**$ 1,049,474**	$ 1,454,316
Investments	**233,367**	—
Accounts Receivables	**24,866**	10,933
Contributions Receivables	**10,772**	—
Government Grants Receivable – Employee Retention Credit	**239,306**	—
Less: Donor Restricted Net Assets	**(23,744)**	(1,531)
	$ 1,534,041	$ 1,463,718

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

As part of its liquidity management plan, the Organization maintains sufficient cash to meet current operating needs. As indicated in the above chart, the Organization has sufficient liquid assets to meet at least one year of expenses. Additionally, the Organization maintains a $400,000 line of credit that can be drawn upon should the need arise.

NOTE 3—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization periodically has deposits in excess of federally insured limits. The Organization has not experienced any losses and management believes it is not exposed to any significant credit risk on cash.

Credit risk associated with accounts and contributions receivable is considered to be limited due to high historical collection rates and because a significant portion of the outstanding amounts are due from program participants or donors supportive of FRC's mission. The government grants receivable - employee retention credit is from the U.S. Department of Treasury for which FRC is eligible due to having incurred qualifying expenditures in accordance with established statutory rules and regulations and therefore credit risk associated with this receivable is considered negligible. As disclosed in Note 1, the entire ERC receivable was collected subsequent to September 30, 2022.

FRC's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the fair value of investments will occur in the near term and materially affect the amounts reported in the financial statements. Due to the market volatility in 2022, FRC experienced significant unrealized losses in the fair value of its investment portfolio.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB Codification provides a framework for measuring fair value using a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FRC has the ability to access.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the year September 30, 2022 and 2021.

Level 1 Fair Value Measurements

The fair values of equity and fixed income exchange traded funds are based on quoted market prices in active markets for identical assets, when available.

Level 2 Fair Value Measurements

FRC has no level 2 fair value measurements.

Level 3 Fair Value Measurements

FRC has no level 3 fair value measurements.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Fair values of investments measured on a recurring basis at September 30, 2022 are as follows:

	Cost	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity Exchange Traded Funds:			
Global Broad Infrastructure Index Fund	$ 10,021	$ 8,084	$ 8,084
Global Quality Real Estate Index Fund	10,040	6,912	6,912
Global Upstream Natural Resources Index Fund	9,982	9,736	9,736
Stock Market Index Fund	77,910	60,481	60,481
Foreign Large Blend Equity Fund	72,014	53,232	53,232
Total Equity Exchange Traded Funds	179,967	138,445	138,445
Fixed Income Exchange Traded Funds:			
U.S. Corporate Bonds Fund	119,926	94,922	94,922
Total Investments, at Fair Value	$ 299,893	$233,367	$233,367

At September 30, 2021, FRC had no investments required to be reflected at fair value. At September 31, 2022 and 2021, FRC also held money market funds which are included in cash and cash equivalents on the statements of financial position.

NOTE 5—PROPERTY AND EQUIPMENT

	2022	2021
Land	**$ 125,000**	$ 125,000
Building and Building Improvements	**815,683**	816,983
Land Improvements	**11,000**	-
Equipment	**70,250**	84,747
Furniture and Fixtures	**74,196**	74,196
Construction in Progress	**13,822**	-
	1,109,951	1,100,926
Less Accumulated Depreciation and Amortization	**644,137**	624,740
	$ 465,814	$ 476,186
Depreciation and Amortization Expense	**$ 38,405**	$ 37,402
Depreciation Expense allocated to Rental Expenses (included above)	**$ 11,126**	$ 10,602

NOTE 5—PROPERTY AND EQUIPMENT (Continued)

Property and Equipment under Capitalized Lease (included in the totals on the prior page):

	2022	2021
Cost	$ —	$ 19,008
Less Accumulated Amortization	—	17,107
	$ —	$ 1,901
Amortization Expense	**$ 1,900**	$ 3,801

NOTE 6—INTANGIBLE ASSETS

	2022	2021
Website Design	**$ 52,302**	$ 40,302
Less Accumulated Amortization	**25,381**	12,090
	$ 26,921	$ 28,212
Amortization Expense	**$ 13,291**	$ 8,060

Amortization expense over the next five years will be $10,460 for the years ending September 30, 2023 and 2024, $2,400 for the years ending September 30, 2025 and 2026, and $1,201 for the year ending September 30, 2027.

NOTE 7—LINE OF CREDIT

The Organization obtained a $400,000 bank line of credit, secured by the assets of the Organization, on March 12, 2020. The line of credit bears interest at 1.00% over prime (6.25% at September 30, 2022). As of September 30, 2022 and 2021, $-0- was outstanding under the line of credit. There were no borrowings on the line in 2022 or 2021. The line matures on March 12, 2025 and any outstanding balance converts to a term loan at that time.

NOTE 8—PAYROLL PROTECTION PROGRAM LOAN

On April 7, 2020, FRC applied for and was awarded a Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of $128,087. The loan accrues interest at a fixed rate of 0.98% per annum. All payments of principal and interest are deferred for ten months after the end of the borrower's loan forgiveness covered period. The loan matures on April 7, 2022. FRC is eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements to the extent of applicable payroll and other covered costs. The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the PPP, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is uncollateralized and is fully guaranteed by the Federal government. FRC applied for and was granted full forgiveness of the entire loan amount plus accrued interest on April 6, 2021.

NOTE 8—PAYROLL PROTECTION PROGRAM LOAN (Continued)

On February 23, 2021, FRC applied for and was approved for a second installment of a Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of an additional $130,000. The loan has similar terms as the first installment and interest will accrue at 1%. FRC could become eligible for up to 100% forgiveness of the loan amount plus accrued interest and any amount of principal and interest not forgiven by the SBA would mature on February 23, 2026. FRC applied for and was granted full forgiveness of the entire loan amount plus accrued interest on November 22, 2021

NOTE 9—CAPITAL LEASE

The asset under capital lease was recorded at the present value of the minimum lease payments at the inception of the lease. The lease expired in October 2021 and FRC purchased the asset at fair value.

Interest expense on the capital lease obligation was $1 and $113 for the years ended September 30, 2022 and 2021, respectively.

NOTE 10—RETIREMENT PLANS

FRC has adopted a qualified defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. Effective July 1, 2003, FRC amended the retirement plan and established a salary deferral plan under Section 401(k) of the Internal Revenue Code. FRC, at its option, may elect to match a portion of the employees' contributions. The plan year was changed to a calendar year commencing January, 2008.

For 2022 and 2021, FRC elected to make a fully-vested safe harbor matching contribution equal to 100% of employee's 401(k) contributions that do not exceed 3% of wages and 50% of contributions between 3% and 5% of wages. The maximum employer contribution for any employee is 4% of wages. The match totaled $28,654 for 2022 and $18,341 for 2021. The plan also provides a profit-sharing component where FRC can make a discretionary contribution to the plan, which is allocated based on the compensation of eligible employees. FRC did not make a discretionary contribution to the plan in 2022 or 2021.

NOTE 11—RENTAL INCOME

During the years ended September 30, 2022 and 2021, FRC leased four apartments and a parking garage to individuals. All four agreements and the garage are leased on a month-to-month basis and the leases can be terminated at any time. The agreements require monthly lease payments ranging from $840 to $1,500 for the apartments and $175 for the garage. Rental income was $51,350 for the year ended September 30, 2022 and $50,400 for the year ended September 30, 2021.

NOTE 12—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30 are as follows:

	2022	2021
China Program	$ —	$ 100
Security Improvements and Monitoring	**23,744**	—
Donor Event	—	1,431
	$ 23,744	$ 1,531

Amounts released from restrictions during the year ended September 30, 2022 were $366,540, comprised of $235,009 of Employee Retention Credits, $130,000 of PPP loan funds, $100 for the China Program and $1,431 of expenses related to a donor event.

Amounts released from restrictions during the year ended September 30, 2021 were $128,087, comprised of PPP loan funds.

NOTE 13—TAX-EXEMPT STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. Certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income, however, a provision for unrelated business income tax was not required.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 14—RELATED PARTIES

During the years ended September 30, 2022 and 2021, board members and members of their families contributed $77,553 and $61,156 respectively.

NOTE 15—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 16—SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 1, 2023, the date through which the financial statements were available for issue. As disclosed in Note 1, FRC collected its entire outstanding ERC government receivable, along with accrued interest after September 30, 2022. There were no other subsequent events which would require disclosure.