Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center)

Financial Report

June 30, 2019

Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center)

Contents

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Independent Auditor's Report

To the Board of Directors
Infant Welfare Society of Chicago
(d/b/a Angel Harvey Family Health Center)

We have audited the accompanying financial statements of Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center) (the "Organization"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center) as of June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, for the year ended June 30, 2019, the Organization adopted the provisions of Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*, using the retrospective adoption method. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

December 4, 2019

Statement of Financial Position

	June 30, 2019
Assets	
Current Assets	
Cash	$ 323,851
Patient accounts receivable - Net	422,032
Grants and pledges receivable	338,084
Prepaid expenses and other current assets	166,511
Total current assets	1,250,478
Investments	5,926,146
Property and Equipment - Net	7,244,731
Pledges Receivable	100,500
Total assets	**$ 14,521,855**
Liabilities and Net Assets	
Current Liabilities - Accounts payable and accrued expenses	$ 557,124
Net Assets	
Without donor restrictions	12,372,708
With donor restrictions	1,592,023
Total net assets	13,964,731
Total liabilities and net assets	**$ 14,521,855**

See notes to financial statements.

Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center)

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Public support and revenue:			
Patient services	$ 4,494,322		$ 4,494,322
Less provision for bad debts	(24,917)		(24,917)
Net patient services revenue	4,469,405		4,469,405
Contributions and grants:			
Auxiliary	600,000	$ 7,000	607,000
Individuals and corporations (includes in-kind donations of $164,394 for 2019)	309,393	88,027	397,420
Foundations	427,875	265,270	693,145
Government	276,113		276,113
Juvenile probation revenue	666,592		666,592
Miscellaneous	17,303		17,303
Net assets released from restriction for operations	51,046	(51,046)	
Total public support and revenue	6,817,727	309,251	7,126,978
Expenses			
Program services:			
Primary health	$ 3,787,951		$ 3,787,951
Dental health	963,199		963,199
Other wellness services	894,913		894,913
Total program services	5,646,063		5,646,063
Supporting Services			
Management and general	3,404,206		3,404,206
Fundraising	207,948		207,948
Auxiliary support expenses	61,092		61,092
Total supporting services	3,673,246		3,673,246
Total expenses	9,319,309		9,319,309
(Deficiency) excess of public support and revenue over expenses	$ (2,501,582)	$ 309,251	$ (2,192,331)
Other revenue (expenses):			
Investment income	146,100	4,130	150,230
Net assets released from restriction for capital purchases	36,282	(36,282)	
Total change in net assets	(2,319,200)	277,099	(2,042,101)
Net assets, beginning of year	14,691,908	1,314,924	16,006,832
Net assets, end of year	12,372,708	1,592,023	13,964,731

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services				
	Primary Health	Dental Health	Other Wellness Services	Total Program Services	Management and General	Fundraising	Auxiliary Support	Total Support Services	Total
Salaries	$ 2,659,082	$ 742,144	$ 485,660	$3,886,886	$ 1,334,360	$ 133,329	$ 54,304	$1,521,993	$ 5,408,879
Employee health and retirement benefits	249,350	69,593	45,542	364,485	125,127	12,503	126	137,756	502,241
Payroll taxes	220,322	61,491	40,240	322,053	110,560	11,047	5,181	126,788	448,841
Total employee compensation	3,128,754	873,228	571,442	4,573,424	1,570,047	156,879	59,611	1,786,537	6,359,961
Professional fees and contract service payments	131,737	-	259,059	390,796	763,470	7,435	-	770,905	1,161,701
Supplies	203,800	22,697	903	227,400	200,834	1,633	595	203,062	430,462
Professional liability insurance	75,445	901	-	76,346	-	-	-	-	76,346
Equipment rentals, repairs, and maintenance	1,985	4,042	-	6,027	354,868	-	-	354,868	360,895
General occupancy	1,476	3,006	-	4,482	263,882	-	332	264,214	268,696
All other operating expenses	78,902	13,036	35,188	127,126	165,907	33,685	554	200,146	327,272
Depreciation and amortization	165,852	46,289	28,321	240,462	85,198	8,316	-	93,514	333,976
Total expenses	**$ 3,787,951**	**$ 963,199**	**$ 894,913**	**$5,646,063**	**$ 3,404,206**	**$ 207,948**	**$ 61,092**	**$3,673,246**	**$ 9,319,309**

See notes to financial statements.

Statement of Cash Flows

	Year Ended June 30, 2019
Cash Flows from Operating Activities	
Changes in net assets	$ (2,042,101)
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation and amortization	333,976
Provision for bad debts	24,917
Restricted contributions	(48,895)
Net realized and unrealized losses on investments	168,501
Changes in operating assets and liabilities that provided (used) cash:	
Receivables	422,826
Prepaid expenses and other current assets	(18,551)
Accounts payable and accrued expenses	(390,623)
Net cash used in operating activities	(1,549,950)
Cash Flows from Investing Activities	
Purchase of property and equipment	(112,309)
Purchases of investments	(2,055,914)
Proceeds from sales or maturity of investments	3,727,183
Net cash provided by investing activities	1,558,960
Cash Flows Provided by Financing Activities - Proceeds from restricted contributions	48,895
Net Increase in Cash	57,905
Cash - Beginning of year	265,946
Cash - End of year	**$ 323,851**

See notes to financial statements.

Note 1 - Nature of Business

Infant Welfare Society of Chicago (d/b/a Angel Harvey Family Health Center) (the "Organization") is an Illinois not-for-profit corporation that provides quality medical and dental services for the health, physical, and mental development of children and their families in the Chicagoland community. Women are accommodated with prenatal and family planning care under the direction of our partner midwifery groups. Financial support for the Organization's services is received from a variety of entities that include private foundations, individuals, grants, and managed care/insurance companies.

In November 2016, the board of directors authorized a change in services that allowed the Organization to accommodate the provision of medical, dental, and behavioral health services for the whole family. Previously, the Organization's services were limited to women and children. To recognize the addition of the "whole family," the Organization adopted an assumed name of the Angel Harvey Family Health Center.

Note 2 - Significant Accounting Policies

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.

Cash

Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. As of June 30, 2019 cash balances exceed the insured limit. Management believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Patient Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Net accounts receivable are based on expected payment rates from payors based on current reimbursement methodologies.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Note 2 - Significant Accounting Policies (Continued)

Grants and Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in (deficiency) excess of public support and revenue over expenses unless the income or loss is restricted by donors, in which case the investment return is recorded directly to net assets with donor restrictions. Management considers all investments to be trading securities.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investments reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred. The Organization's policy is to capitalize assets with costs of $5,000 or more and useful lives over one year.

Classification of Net Assets

Net assets of the Organization are classified as net assets without donor restrictions or net assets with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions may expire with the passage of time or can be removed by meeting certain requirements. Additionally, donor-imposed restrictions may limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as changes in net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. The Organization has adopted the total return method of allocating investment income.

Board-designated net assets are voluntary resolutions by the board of directors to designate a portion of the Organization's net assets for future purposes. Since designations are voluntary and may be amended by the board of directors at any time, board-designated net assets are included with net assets without donor restrictions. As of June 30, 2019, approximately $817,000 was designated by the board of directors.

Note 2 - Significant Accounting Policies (Continued)

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions. There are also certain donor-restricted contributions the principal amount of which may not be expended.

The Organization reports unconditional promises to give as contributions at the estimated amount to be ultimately realized. If pledges are expected to be collected in less than one year, the pledges receivable are classified as current assets. Pledge amounts due in excess of one year after the reporting date are classified as noncurrent assets at net realizable value.

Donated Services and Materials

The Organization records donated services and material received as a contribution and a corresponding expense. The revenue and expenses for the year ended June 30, 2019 are reflected at fair value at the date of receipt. Contributed services consist of legal services provided to the Organization. These contributed services and materials were valued at approximately $164,000 for the year ended June 30, 2019.

A substantial number of individuals and organizations have volunteered their services to the Organization. The estimated value of donated services has not been reflected in the financial statements, as these services do not require specific expertise.

Excess (Deficiency) of Public Support and Revenue Over Expenses

The statement of activities and changes in nets assets includes excess (deficiency) of public support and revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of public support and revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, pension-related changes other than net periodic benefit cost, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purposes of acquiring such assets).

Net Patient Services Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined reimbursement rates. Net patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Note 2 - Significant Accounting Policies (Continued)

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. The Organization provides care to self-pay patients on a sliding fee scale. For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources in total was approximately $4,494,000 for the year ended June 30, 2019. These amounts are made up of amounts from third-party payors of approximately $4,144,000 for the year ended June 30, 2019 and amounts from self-pay payors of approximately $350,000 for the year ended June 30, 2019.

Patients who meet income eligibility requirements receive services without charge or at rates less than the clinic's established rates for services. These services represent charity care and are excluded from net patient services revenue. The Organization maintains records to identify and monitor the level of charity care provided, which is measured by the amount of estimated costs incurred to provide these services less any payments received. The estimated cost of providing charity services is based on a calculation that applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Organization’s total expenses (less bad debt expense) divided by gross patient service revenue. These costs totaled approximately $561,000 for the year ended June 30, 2019.

The concentrations of Medicaid revenue for the year ended June 30, 2019 is 87 percent.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action, including fines, penalties, and exclusions from the Medicaid program.

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Accordingly, certain indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

The various programs are primary health, dental health, and other wellness services. Primary health provides clinic-based medical services, while the dental health group provides dental and orthodontia services. The other wellness services include various behavioral health, counseling, vision, and social service programs.

Note 2 - Significant Accounting Policies (Continued)

Costs not directly attributable to a function, including depreciation, amortization, and other occupancy costs, are allocated to a functional category based on an employee's time attributed to a function or a pro rata percentage.

Income Taxes

The Organization has received a tax determination letter from the Internal Revenue Service indicating that the Organization is a tax-exempt organization, as defined by Section 501(c)(3) of the Internal Revenue Code of 1986, and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the Organization has had no significant unrelated business income.

Recently Adopted Accounting Pronouncement

Effective July 1, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: net assets of $486,870, previously reported as temporarily restricted net assets, and net assets of $828,054, previously reported as permanently restricted net assets, have been combined into net assets with donor restrictions.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has not yet determined which application method it will use. Management does not expect that this standard will have a significant impact to the timing and recognition pattern of the Organization's main revenue streams. However, management is still assessing the ultimate impact of the standard to the Organization.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 4, 2019, which is the date the financial statements were available to be issued.

Note 3 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

Patient accounts receivable	$ 517,518
Less:	
Allowance of uncollectible accounts	91,575
Allowance for contractual adjustments	3,911
Net patient accounts receivable	$ 422,032

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements.

Note 4 - Grants and Pledges Receivable

Included in grants and pledges receivable are several unconditional promises to give generated from a campaign or various programs. As of June 30, 2019, grants and pledges receivable consist of the following:

Amounts due in:	
Less than one year	$ 338,084
One to five years	100,500
Total	$ 438,584

Management provides for probable uncollectible amounts through a provision for uncollectible grants and contributions and an adjustment to a valuation allowance based on its assessment of the current status of its receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and pledges receivable. As of June 30, 2019, there was no discount or allowance recorded on grants and pledges receivable.

Note 5 - Investments

The detail of investments is as follows at June 30, 2019:

Money market funds	$ 346,611
Commodities	280,113
Fixed-income funds	769,456
International emerging funds	544,305
International mature funds	322,865
Other yield funds	753,036
Large-cap domestic equities	1,311,569
Small-cap domestic equities	1,298,455
REITs	299,736
Total investments at fair value	$ 5,926,146

Note 5 - Investments (Continued)

The Organization's investment returns were as follows:

Interest and dividends	$	329,707
Realized gains on investments		406,199
Unrealized losses on investments - Net		(574,700)
Investments fees		(10,976)
Total return on investments	$	150,230

Note 6 - Liquidity

The Organization’s financial assets available within one year of June 30, 2019 for general expenditure are as follows:

Cash	$	323,851
Patient accounts receivable - Net		422,032
Grants and pledges receivable		259,010
Total	$	1,004,893

The Organization has certain board-designated and donor-restricted assets limited as to use that are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited as to use for donor-restricted purposes. These assets limited to use, which are more fully described in Notes 8 and 9, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary. The Organization has grants and pledges receivable that are restricted for time, as described in Note 8, and are not available for general expenditure within the next year and are not reflected in the amounts above.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

		Amount	Depreciable Life - Years
Land	$	418,750	-
Buildings and improvements		10,303,681	25-40
Furniture and equipment		1,837,120	3-10
Total cost		12,559,551	
Accumulated depreciation and amortization		5,314,820	
Net property and equipment	$	7,244,731	

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 are available for the following purpose or time restrictions:

Purpose:		
Comer Sano!	$	13,750
Dental clinic		47,916
Dental x-ray machine		53,713
Family services		41,667
Literacy		1,217
Mammograms		3,067
Child development/CHAT		26,250
Care coordination		94,792
Campaign for a Healthy Tomorrow		281,776
Endowment fund		723,054
Children with special needs		125,247
Total purpose		1,412,449
Time - With donor restrictions - Campaign for a Healthy Tomorrow		179,574
Total net assets with donor restrictions	$	1,592,023

Both the endowment fund and children with special needs net assets are restricted in perpetuity.

During 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of $87,328.

Note 9 - Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment assets absent explicit donor stipulations to the contrary, which is consistent with historical accounting practices of the Organization. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the net assets. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment assets: (1) the duration and preservation of the various assets, (2) the purposes of the donor-restricted endowment assets, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Note 9 - Endowments (Continued)

The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide for the immediate needs of the intended beneficiaries of its endowment assets while also maintaining the purchasing power of those endowment assets so that current and future generations may benefit equally. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, that exceeds the amounts distributed for expenditures in support of the Organization's operating activities, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity, fixed-income securities, and real estate investment trusts that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the board-directed distributions while growing the assets if possible. Investment risk is measured in terms of the total endowment assets; investment assets and allocation between asset classes and strategies are managed to avoid exposing the endowment assets to unacceptable levels of risk.

Appropriation for distribution of board-designated endowment assets is determined solely at the discretion of the board of directors.

Changes in endowment net assets for the year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 6,914,384	$ 851,533	$ 7,765,917
Contributions	2,056	-	2,056
Interest and dividends	329,707	-	329,707
Net appreciation	(172,630)	4,130	(168,500)
Amounts appropriated for expenditure	(1,995,672)	(7,362)	(2,003,034)
Endowment net assets - End of year	$ 5,077,845	$ 848,301	$ 5,926,146

Board-approved appropriation	$ 400,000
Cash transfers to cover operating expenses - Net	1,477,691
Cash transfers to cover capital expenses - Net	112,309
Cash transfers of proceeds from sale of donated stock	13,034
Total	$ 2,003,034

Note 10 - Fair Value Measurements

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

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

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

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. 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.

Note 10 - Fair Value Measurements (Continued)

In instances whereby 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. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). As of June 30, 2019, $5,853,614 was determined to be Level 1 inputs. Investments included $72,532 of cash included in the statement of financial position at June 30, 2019 that is not measured at fair value on a recurring basis and, therefore, is not included in the fair value hierarchy.

Note 11 - Employee Benefit Plan

The Organization has a defined contribution profit-sharing plan covering substantially all eligible employees. The plan provides for discretionary contributions based on employee classifications defined in the plan. No contribution was approved for the year ended June 30, 2019.

Note 12 - Related Party Transactions

The Auxiliary of the Infant Welfare Society of Chicago (the "Auxiliary") and the Organization have board members who serve concurrently on the board of directors for both organizations. During 2019, the contribution from the Auxiliary included $600,000 for operations and $7,000 for dental equipment.

The Organization also provides supporting services to the Auxiliary and has allocated operating and administrative expenses to the Auxiliary. Auxiliary support expenses amounted to $61,092 for the year ended June 30, 2019.