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# The Ark

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**Financial Report**  
**June 30, 2021**

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## Independent Auditor's Report

To the Board of Directors  
The Ark

We have audited the accompanying financial statements of The Ark, which comprise the statement of financial position as of June 30, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 The Ark as of June 30, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

December 13, 2021

## Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 776,116	\$ 1,527,658
Investments	11,714,156	9,064,745
Contribution receivables - Net of allowances	1,336,895	1,346,096
Prepaid expenses and other assets	51,557	46,178
Property, plant, and equipment - Net	1,792,954	1,714,742
Total assets	<b>\$ 15,671,678</b>	<b>\$ 13,699,419</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 110,901	\$ 207,825
Funds held in trust for individuals	40,250	23,761
Accrued liabilities and other	388,001	326,502
Paycheck Protection Program loan payable	-	726,510
Total liabilities	539,152	1,284,598
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	2,111,888	965,504
Board designated - End of year	10,030,101	9,665,747
With donor restrictions	2,990,537	1,783,570
Total net assets	15,132,526	12,414,821
Total liabilities and net assets	<b>\$ 15,671,678</b>	<b>\$ 13,699,419</b>

## Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions	\$ 5,212,363	\$ 1,982,120	\$ 7,194,483	\$ 6,180,355	\$ 1,352,112	\$ 7,532,467
In-kind donations	151,741	-	151,741	257,841	-	257,841
Bequests	220,343	-	220,343	1,322,091	-	1,322,091
Jewish Federation of Metropolitan Chicago:						
Core program subsidy and other income	462,048	-	462,048	507,299	-	507,299
Endowment income	334,844	-	334,844	212,770	-	212,770
Government grants	164,294	-	164,294	124,393	-	124,393
Investment income - Net of fees	1,817,125	5,532	1,822,657	123,838	356	124,194
Net assets released from restrictions	780,685	(780,685)	-	495,498	(495,498)	-
Total revenue, gains, and other support	9,143,443	1,206,967	10,350,410	9,224,085	856,970	10,081,055
<b>Expenses</b>						
Program services	6,117,571	-	6,117,571	5,560,122	-	5,560,122
Support services:						
Management and general	1,066,007	-	1,066,007	1,012,925	-	1,012,925
Fundraising	1,179,754	-	1,179,754	791,159	-	791,159
Total support services	2,245,761	-	2,245,761	1,804,084	-	1,804,084
Total expenses	8,363,332	-	8,363,332	7,364,206	-	7,364,206
<b>Increase in Net Assets - Before nonoperating income</b>	780,111	1,206,967	1,987,078	1,859,879	856,970	2,716,849
<b>Nonoperating Income - Gain on forgiveness of Paycheck Protection Program term loan</b>	730,627	-	730,627	-	-	-
<b>Increase in Net Assets</b>	1,510,738	1,206,967	2,717,705	1,859,879	856,970	2,716,849
<b>Net Assets - Beginning of year</b>	10,631,251	1,783,570	12,414,821	8,771,372	926,600	9,697,972
<b>Net Assets - End of year</b>	<b>\$ 12,141,989</b>	<b>\$ 2,990,537</b>	<b>\$ 15,132,526</b>	<b>\$ 10,631,251</b>	<b>\$ 1,783,570</b>	<b>\$ 12,414,821</b>

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services										Support Services				Total	
	Social Service Assistance	Clinic - Medical and Vision	Volunteer and Community Outreach	Intensive Day Program	Psychological Services	Dental Program	Spiritual Enrichment	Sarnoff Levin Residence	Northwest Suburban Office	Employment Services	Total Program Services	Management and General	Occupancy Expenses	Fundraising		Total Support Services
Salaries	\$ 763,935	\$ 369,830	\$ 167,781	\$ 175,082	\$ 24,443	\$ 179,378	\$ 96,828	\$ 198,012	\$ 239,197	\$ 161,509	\$ 2,375,995	\$ 568,584	\$ 83,617	\$ 391,192	\$ 1,043,393	\$ 3,419,388
Employee benefits	183,071	46,388	44,632	77,619	10,288	32,808	30,110	71,528	60,691	34,389	591,524	150,607	29,758	91,195	271,560	863,084
Insurance - Workers' compensation	13,197	5,479	1,001	3,026	(87)	3,258	2,223	6,294	2,060	2,488	38,939	2,161	1,179	315	3,655	42,594
Purchased meals and food	308,446	-	-	1,760	-	-	4,197	1,458	-	-	315,861	-	-	-	-	315,861
Food pantry purchased costs	55,211	-	-	-	-	-	-	-	110,450	-	165,661	-	-	-	-	165,661
Specific assistance to individuals	1,399,138	5,097	-	49,038	-	20,374	66,797	109	136,082	-	1,676,635	-	-	-	-	1,676,635
Contributed professional services	2,103	38,238	-	-	74,956	2,369	-	-	-	-	117,666	34,075	-	-	34,075	151,741
Fundraising activities and direct costs	-	-	-	-	-	-	-	-	-	-	-	-	-	69,685	69,685	69,685
Vehicles	-	-	-	-	-	-	-	-	1,214	-	1,214	23,051	-	-	23,051	24,265
Supplies	79	47,120	107	-	1,200	9,488	501	1,932	-	6,137	66,564	14,809	-	42	14,851	81,415
Technology and telephone costs	-	125	-	-	-	-	-	1,240	764	-	2,129	-	102,955	-	102,955	105,084
Utilities	-	-	-	-	-	-	-	17,618	6,920	-	24,538	-	39,624	-	39,624	64,162
Insurance	-	35,821	-	1,726	-	-	-	7,113	2,972	-	47,632	21,364	60,259	-	81,623	129,255
Rent	-	-	-	-	-	-	-	-	38,701	-	38,701	-	-	-	-	38,701
Repairs and maintenance	-	-	-	-	-	-	-	28,466	3,967	-	32,433	-	153,438	-	153,438	185,871
Depreciation	12,417	-	-	-	-	-	-	33,688	1,269	-	47,374	8,722	6,415	-	15,137	62,511
Contract services and security	-	-	-	-	-	-	-	3,881	-	-	3,881	-	100,193	-	100,193	104,074
Community relations, printing, and advertising	-	-	24,349	-	-	-	-	-	-	-	24,349	-	-	128,039	128,039	152,388
Professional fees	8,460	-	-	-	-	-	-	-	-	-	8,460	51,297	-	331,063	382,360	390,820
Postage	-	-	-	-	-	-	-	-	-	-	-	13,871	-	-	13,871	13,871
Office supplies and expense	-	-	-	-	-	-	-	-	-	-	-	17	-	-	17	17
Conference, seminars, and subscriptions	423	-	-	-	-	-	-	-	-	-	423	5,307	-	-	5,307	5,730
Miscellaneous	(89)	6,617	41,884	5,356	54	2,567	40	6,911	813	1,816	65,969	96,449	4,813	133,288	234,550	300,519
Allocation of occupancy expenses	163,030	93,160	34,935	52,403	34,935	58,225	23,290	-	-	11,645	471,623	75,693	(582,251)	34,935	(471,623)	-
<b>Total functional expenses</b>	<b>\$ 2,909,421</b>	<b>\$ 647,875</b>	<b>\$ 314,689</b>	<b>\$ 366,010</b>	<b>\$ 145,789</b>	<b>\$ 308,467</b>	<b>\$ 223,986</b>	<b>\$ 378,250</b>	<b>\$ 605,100</b>	<b>\$ 217,984</b>	<b>\$ 6,117,571</b>	<b>\$ 1,066,007</b>	<b>\$ -</b>	<b>\$ 1,179,754</b>	<b>\$ 2,245,761</b>	<b>\$ 8,363,332</b>

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services										Support Services				Total	
	Social Service Assistance	Clinic - Medical and Vision	Volunteer and Community Outreach	Intensive Day Program	Psychological Services	Dental Program	Spiritual Enrichment	Sarnoff Levin Residence	Northwest Suburban Office	Employment Services	Total Program Services	Management and General	Occupancy Expenses	Fundraising		Total Support Services
Salaries	\$ 717,881	\$ 341,501	\$ 189,503	\$ 164,762	\$ 17,871	\$ 182,607	\$ 101,447	\$ 227,658	\$ 192,853	\$ 150,864	\$ 2,286,947	\$ 471,270	\$ 60,204	\$ 302,334	\$ 833,808	\$ 3,120,755
Employee benefits	191,344	57,591	38,807	59,839	4,143	40,181	28,115	67,301	39,929	28,170	555,420	135,009	18,035	57,592	210,636	766,056
Insurance - Workers' compensation	15,276	7,494	1,380	4,260	570	4,524	2,430	8,706	2,880	3,498	51,018	762	1,638	462	2,862	53,880
Purchased meals and food	97,318	-	-	18,705	-	-	-	30,683	42,595	-	189,301	-	-	-	-	189,301
Food pantry purchased costs	355,978	-	-	-	-	-	-	-	116,820	-	472,798	-	-	-	-	472,798
Food pantry donated costs	22,669	-	-	-	-	-	-	-	-	-	22,669	-	-	-	-	22,669
Specific assistance to individuals	712,837	11,628	-	58,078	-	12,382	36,412	3,472	164,860	-	999,669	-	-	-	-	999,669
Contributed professional services	1,414	52,376	-	-	133,476	7,359	-	-	-	-	194,625	49,736	-	-	49,736	244,361
Fundraising activities and direct costs	-	-	-	-	-	-	-	-	-	-	-	-	-	131,835	131,835	131,835
Vehicles	-	-	-	-	-	-	-	-	1,762	-	1,762	9,902	-	-	9,902	11,664
Supplies	-	50,652	472	1,447	32	11,823	530	11,240	11,146	-	87,342	-	-	-	-	87,342
Technology and telephone costs	-	-	-	-	-	-	-	560	575	-	1,135	-	110,369	-	110,369	111,504
Utilities	-	-	-	-	-	-	-	18,390	3,636	-	22,026	-	44,252	-	44,252	66,278
Insurance	-	22,455	-	1,726	-	-	-	7,113	2,972	-	34,266	18,639	35,125	-	53,764	88,030
Rent	-	-	-	-	-	-	-	-	37,246	-	37,246	-	-	-	-	37,246
Repairs and maintenance	-	-	-	-	-	1,034	-	27,960	-	-	28,994	-	112,770	-	112,770	141,764
Depreciation	12,417	-	-	-	-	-	-	33,049	4,526	-	49,992	11,005	13,415	-	24,420	74,412
Contract services and security	-	-	-	-	-	-	-	46,989	-	-	46,989	-	94,931	-	94,931	141,920
Community relations, printing, and advertising	-	-	25,866	-	-	-	-	-	-	-	25,866	-	-	112,562	112,562	138,428
Professional fees	4,963	-	-	200	-	-	-	-	-	-	5,163	90,153	-	127,581	217,734	222,897
Postage	-	-	-	-	-	-	-	-	-	-	-	9,782	-	-	9,782	9,782
Office supplies and expense	-	-	-	-	-	-	-	-	-	-	-	18,691	-	-	18,691	18,691
Conference, seminars, and subscriptions	50	-	-	-	-	-	-	-	-	-	50	7,904	-	-	7,904	7,954
Miscellaneous	22,829	4,388	11,678	265	-	920	227	2,900	539	1,846	45,592	63,846	4,633	29,071	97,550	143,142
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	61,828	-	-	61,828	61,828
Allocation of occupancy expenses	138,704	79,260	29,722	44,583	29,722	49,538	19,815	-	-	9,908	401,252	64,398	(495,372)	29,722	(401,252)	-
<b>Total functional expenses</b>	<b>\$ 2,293,680</b>	<b>\$ 627,345</b>	<b>\$ 297,428</b>	<b>\$ 353,865</b>	<b>\$ 185,814</b>	<b>\$ 310,368</b>	<b>\$ 219,659</b>	<b>\$ 497,933</b>	<b>\$ 579,744</b>	<b>\$ 194,286</b>	<b>\$ 5,560,122</b>	<b>\$ 1,012,925</b>	<b>\$ -</b>	<b>\$ 791,159</b>	<b>\$ 1,804,084</b>	<b>\$ 7,364,206</b>

## Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 2,717,705	\$ 2,716,849
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	62,511	74,412
Net realized gains on investments	(622,166)	(107,563)
Net unrealized (gains) losses on investments	(1,015,026)	163,140
Donated stock	(450,399)	(174,560)
Gain on forgiveness of Paycheck Protection Program term loan	(730,627)	-
Bad debt expense	-	61,828
Support for The Ark at 50	(1,255,469)	(1,698,345)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Receivables	(7,481)	439,535
Prepaid expenses and deposits	(5,379)	4,673
Accounts payable	(96,924)	63,937
Funds held in trust for individuals	16,489	(4,898)
Accrued expenses and deferred changes	65,616	68,786
Net cash and cash equivalents (used in) provided by operating activities	(1,321,150)	1,607,794
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	2,556,857	1,871,345
Capital expenditures	(140,723)	(1,243,633)
Purchases of investments	(3,118,677)	(3,559,876)
Net cash and cash equivalents used in investing activities	(702,543)	(2,932,164)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	-	726,510
Support for The Ark at 50	1,272,151	459,659
Net cash and cash equivalents provided by financing activities	1,272,151	1,186,169
<b>Net Decrease in Cash and Cash Equivalents</b>	(751,542)	(138,201)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,527,658	1,665,859
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 776,116</b>	<b>\$ 1,527,658</b>
<b>Significant Noncash Transactions</b> - Property and equipment additions included in accounts payable and accrued expenses	\$ -	\$ 23,248



## Note 1 - Nature of Business

The Ark provides medical, dental, counseling, food, legal, and social support services to low-income individuals and families of the greater Chicago metropolitan area. Support for The Ark comes from private foundations, corporations, private donations, grants, and other not-for-profit organizations.

The social service assistance program includes emergency services, case management, food pantry, and legal aid. The intensive day program provides intensive case management services and individual counseling for chronically mentally ill individuals, as well as group programs available to all of The Ark's clients. The psychological services program provides psychological counseling and testing.

## Note 2 - Significant Accounting Policies

### *Basis of Presentation*

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

### *Classification of Net Assets*

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets without donor restrictions also include a fund designated by the board of directors to function as an endowment. Net assets in this category may be expended for any purpose in performing the primary objectives of The Ark.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Ark 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 donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

### *Cash and Cash Equivalents*

The Ark considers all short-term, highly liquid financial instruments with a maturity of three months or less to be cash equivalents. The Ark considers its money market accounts to be cash equivalents, which have carrying values approximating fair values as of June 30, 2021 and 2020. The balance of the money market accounts was \$369,769 and \$921,013 as of June 30, 2021 and 2020, respectively.

The Ark maintains its cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. The Ark has not experienced any losses in such accounts. The Ark believes it is not exposed to any significant credit risk on cash and cash equivalents.

### *Investments*

Investments are reported at fair value. Investment income, including net realized and unrealized gains, is reflected in the statement of activities and changes in net assets as an increase in net assets. Interest and dividend income is recorded on the accrual basis. The Ark's investments include mutual funds, common stock, preferred securities, domestic corporate bond funds and convertible securities, U.S. Treasury bonds, and foreign bonds.

The Ark's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is possible that changes in the value of investments may occur in the near future and may materially affect the amounts reported in the financial statements.

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

***Contributions***

Unconditional promises to give cash and other assets to The Ark are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to 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 in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying financial statements.

Revenue from the Jewish Federation of Metropolitan Chicago for the core program subsidy and other income are reported at fair value in the fiscal year that the Jewish Federation of Metropolitan Chicago specifies. Multiyear grants are recognized based on when the promise is received. Federal Emergency Management Agency (FEMA) revenue is recognized as reimbursable expenses are spent.

Contributions receivable that are expected to be collected within one year are recorded 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Ark recorded an allowance for doubtful accounts of \$76,938 and \$61,828 as of June 30, 2021 and 2020, respectively.

***Property and Equipment***

Property and equipment are recorded at cost when purchased or at fair value at the date of donation. Assets are depreciated using the straight-line method over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses of certain employees are allocated on the basis of time and effort. Building and operating expenses are allocated based on square footage and estimate of building time usage. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Guarantees***

The Ark guarantees the prompt payment and performance under various leases for individuals in need. Two leases expired in February and March 2021. As of June 30, 2021, The Ark guaranteed eight new leases for individuals in need, with seven of those leases running through March 31, 2022 and one lease running through May 31, 2022. Future minimum payments required under these leases amounted to \$96,760 and \$22,295 as of June 30, 2021 and 2020, respectively.

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

***Retirement Plan***

The Ark maintains a retirement plan under Section 403(b) of the Internal Revenue Code for the benefit of substantially all employees of The Ark. Employees are eligible to make contributions at their own discretion and, after one year of service, may be eligible to receive employer contributions. Employees are 100 percent vested in all their accounts in the plan. Matching contributions made to the plan were \$82,019 and \$85,338 during 2021 and 2020, respectively.

***Income Taxes***

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

***Use of Estimates***

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

***Impact of Disease Outbreak***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As a result of the pandemic, The Ark suspended or altered many of the in-person services offered, temporarily closed the Sarnoff Levin residence, and procured a Paycheck Protection Program (PPP) term loan, as described in Note 6.

The Organization's operations are heavily dependent on private and public contributions from individuals, foundations, corporations, government grants, and other organizations. As of the date of issuance of the financial statements, The Ark's results of operations, cash flows, and financial condition were not significantly impacted; however, the extent of any future impact cannot be reasonably estimated at this time.

No impairments were recorded as of the statement of financial position date; however, due to the significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. The Ark continues to monitor the situation.

June 30, 2021 and 2020

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

The Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for The Ark's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on The Ark's financial statements as a result of The Ark's operating lease, as disclosed in Note 7, that will be reported on the statement of financial position at adoption. Upon adoption, The Ark will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the statement of activities and changes in net assets are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the The Ark's year ending June 30, 2022 and will be applied using the retrospective method.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including December 13, 2021, which is the date the financial statements were available to be issued.

***Restatement***

The 2020 statement of cash flows has been restated to properly reflect The Ark at 50 activity. The effect on the 2020 balances was to decrease operating activities by \$459,659, which included a \$1,698,345 decrease of restricted pledges made in 2020 and an increase of cash flow from receivables of \$1,238,686. Cash flow from financing activities increased by \$459,659, which represents cash receipts collected in 2020. The change did not impact net asset class classifications as of June 30, 2020 and had no effect on the 2020 increase in net assets.

June 30, 2021 and 2020

**Note 3 - Liquidity and Availability of Resources**

The following reflects The Ark'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:

	2021	2020
Cash and cash equivalents	\$ 776,116	\$ 1,527,658
Receivables	1,336,895	1,346,096
Short-term investments	11,338,261	8,688,850
Financial assets - At year end	13,451,272	11,562,604
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	2,721,390	1,622,619
Board designations	10,030,101	9,665,747
Financial assets available to meet cash needs for general expenditures within one year	\$ 699,781	\$ 274,238

The Ark has a goal to maintain financial assets, which consist of cash, receivables, and short-term investments, on hand to meet six months of normal operating expenses. The Ark has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Ark also realizes there could be unanticipated liquidity needs. Therefore, The Ark has a policy of appropriating for distribution an amount necessary to balance its operating budget from its board-designated endowment.

**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.

The following tables present information about The Ark's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by The Ark to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that The Ark 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.

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. The Ark's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

## Notes to Financial Statements

June 30, 2021 and 2020

## Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021		
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2021
Investments:			
Mutual funds	\$ 1,806,374	\$ -	\$ 1,806,374
Common stock	5,167,644	-	5,167,644
Preferred securities	491,188	-	491,188
Domestic corporate bond funds and convertible securities	2,280,827	-	2,280,827
U.S. Treasury bonds	-	1,592,228	1,592,228
Israel bonds	-	375,895	375,895
Total investments	<u>\$ 9,746,033</u>	<u>\$ 1,968,123</u>	<u>\$ 11,714,156</u>
	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020		
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2020
Investments:			
Mutual funds	\$ 1,437,471	\$ -	\$ 1,437,471
Common stock	4,028,028	-	4,028,028
Preferred securities	262,277	-	262,277
Domestic corporate bond funds and convertible securities	1,686,464	-	1,686,464
U.S. Treasury bonds	-	1,274,610	1,274,610
Israel bonds	-	375,895	375,895
Total investments	<u>\$ 7,414,240</u>	<u>\$ 1,650,505</u>	<u>\$ 9,064,745</u>

The fair values of The Ark's U.S. Treasury bonds and Israel bonds at June 30, 2021 were determined primarily based on Level 2 inputs. The Ark estimates the fair values of these investments based on the adjusted prices from an exchange or broker-dealer market.

Realized and unrealized gains and losses of \$1,637,192 and \$(55,577) for the years ended June 30, 2021 and 2020, respectively, are reported in the investment income line in the statement of activities and changes in net assets with interest income less investment fees.

**Note 5 - Property and Equipment**

Property and equipment are summarized as follows:

	2021	2020	Depreciable Life - Years
Land	\$ 1,016,042	\$ 1,016,042	-
Buildings	1,282,389	1,278,214	25
Building improvements	1,914,048	1,914,048	Remaining life of building or estimated useful life, if shorter
Communication and other equipment	614,617	595,225	5-10
Transportation equipment	37,272	37,272	5-7
Computer software	124,219	108,095	7
Construction in progress	496,132	395,100	-
Total cost	<u>5,484,719</u>	<u>5,343,996</u>	
Accumulated depreciation	<u>3,691,765</u>	<u>3,629,254</u>	
Net property and equipment	<u>\$ 1,792,954</u>	<u>\$ 1,714,742</u>	

Depreciation expense for fiscal years 2021 and 2020 was \$62,511 and \$74,412, respectively.

**Note 6 - Paycheck Protection Program Loan Payable**

During the year ended June 30, 2020, The Ark received a Paycheck Protection Program loan in the amount of \$726,510. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

Prior to June 30, 2021, The Ark applied for and received notification of forgiveness of the principal and accrued interest of the PPP loan from the SBA. Loan forgiveness in the amount of \$730,627 has been recorded as a gain on forgiveness of Paycheck Protection Program term loan as nonoperating income on the statement of activities and changes in net assets.

**Note 7 - Operating Leases**

The Ark owns its principal facilities and leases facilities for its satellite location in Northbrook, Illinois. The lease agreement for the Northbrook, Illinois location was renewed in March 2019 and extended through January 31, 2023. Total rent expense under this lease was \$38,701 and \$37,246 for 2021 and 2020, respectively.

Future minimum annual commitments under the Northbrook, Illinois lease are as follows:

Years Ending June 30	Amount
2022	\$ 36,812
2023	21,784
Total	<u>\$ 58,596</u>

June 30, 2021 and 2020

**Note 8 - Donated Goods and Services**

A substantial number of volunteers have donated significant amounts of their time to The Ark's program services and fundraising campaigns. The Ark also regularly receives donations of food, medical supplies, and gifts, which are distributed to its clients.

Donated vehicles amounting to \$24,054 and \$20,568 in 2021 and 2020, respectively, are recognized as revenue in the statement of activities and changes in net assets.

In addition, The Ark receives contributed food and gifts and professional services from medical, dental, psychological, and legal professionals. Support arising from the contributed food, gifts, and services totaling \$151,741 and \$257,841 for the years ended June 30, 2021 and 2020, respectively, has been recognized in the financial statements at fair value. See the statement of functional expenses for the noncash expenditures shown as contributed professional services, food pantry donated costs, and in-kind donations to clients.

Other volunteers have donated significant amounts of their time to The Ark's program services. These volunteer services are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed since no objective basis is available to measure the value of such services.

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2021	2020
Subject to expenditures for a specified purpose:		
Binter Family Fund - General program related	\$ 178,834	\$ 178,477
Dora Yelles Fund - Religious supplies and education	25,000	25,000
Garfield Ridge Scholarship	515	50
Client Loan G'mach	14,642	9,932
Manne Foundation Food Voucher Program	26,750	24,750
Night Owl Foundation	-	21,688
Elderly assistance	56,145	49,105
Total subject to expenditures for a specified purpose	301,886	309,002
Subject to the passage of time - Pledges receivable	276,647	188,000
Subject to the passage of time and for a specified purpose - The Ark at 50	2,362,004	1,236,568
Not subject to appropriation or expenditure:		
Scholarship program	25,000	25,000
Emergency services program	25,000	25,000
Total not subject to appropriation or expenditure	50,000	50,000
Total	<u>\$ 2,990,537</u>	<u>\$ 1,783,570</u>

**Note 10 - Donor-restricted and Board-designated Endowments**

The Ark's endowment includes two individual donor-restricted endowment funds established for scholarship and emergency services and one fund designated by the board of directors to function as an endowment. 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.



June 30, 2021 and 2020

**Note 10 - Donor-restricted and Board-designated Endowments (Continued)*****Interpretation of Relevant Law***

The Ark 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 directors 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 directors of The Ark had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, The Ark 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. The Ark has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with SPMIFA, The Ark 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 The Ark 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 The Ark
- The investment policies of The Ark

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	\$ 10,030,101	\$ -	\$ 10,030,101
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	50,000	50,000
Accumulated investment gains	-	50	50
Total	\$ 10,030,101	\$ 50,050	\$ 10,080,151
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 9,665,747	\$ 50,050	\$ 9,715,797
Investment income	1,820,790	-	1,820,790
Contributions	220,343	-	220,343
Appropriation of endowment assets for expenditure	(1,676,779)	-	(1,676,779)
Endowment net assets - End of year	\$ 10,030,101	\$ 50,050	\$ 10,080,151

## Notes to Financial Statements

June 30, 2021 and 2020

**Note 10 - Donor-restricted and Board-designated Endowments (Continued)**

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	\$ 9,665,747	\$ -	\$ 9,665,747
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	50,000	50,000
Accumulated investment gains	-	50	50
<b>Total</b>	<b>\$ 9,665,747</b>	<b>\$ 50,050</b>	<b>\$ 9,715,797</b>

  

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 8,071,379	\$ 50,515	\$ 8,121,894
Investment income	121,853	50	121,903
Contributions	2,707,090	-	2,707,090
Appropriation of endowment assets for expenditure	(1,234,575)	(515)	(1,235,090)
<b>Endowment net assets - End of year</b>	<b>\$ 9,665,747</b>	<b>\$ 50,050</b>	<b>\$ 9,715,797</b>

***Underwater Endowment Funds***

As of June 30, 2021 and 2020, there were no funds with deficiencies.

***Return Objectives and Risk Parameters***

The Ark 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 The Ark must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve the capital of the fund and produce interest income to support current operations. The Ark expects its endowment funds, over time, to provide an average rate of return of approximately 4 percent annually. 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, The Ark maintains its endowment funds in mutual funds and relies on investment returns achieved through current interest rate yields.

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

The Ark has a policy of appropriating for distribution an amount necessary to balance its operating budget. In establishing this policy, The Ark considered the long-term expected rate of return on its endowment. The primary investment goals are to preserve the long-term real purchasing power of assets, as well as to provide a predictable income stream that will support The Ark's operations.

June 30, 2021 and 2020

**Note 11 - Pledges Receivable**

Organizations and individuals have made pledges to The Ark. The following are maturities on pledges receivable as of June 30, 2021:

Years Ending June 30	Amount
2022	\$ 1,010,327
2023	298,321
2024	<u>124,334</u>
Subtotal	1,432,982
Discount to net present value	(19,149)
Allowance for doubtful accounts	<u>(76,938)</u>
Total	<u>\$ 1,336,895</u>

The discount rates used in determining the net present value of pledges in excess of one year range from 0.17 to 1.76 percent for the year ended June 30, 2021.