

ERIE NEIGHBORHOOD HOUSE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2016

**(With Summarized Comparative Financial Information
for the Year Ended June 30, 2015)**

ERIE NEIGHBORHOOD HOUSE

CONTENTS

| | |
|---|-----|
| Independent Auditors' Report | 1-2 |
|---|-----|

Financial Statements

| | |
|--|---|
| Statements of Financial Position..... | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |

| | |
|--|------|
| Notes to Financial Statements | 7-19 |
|--|------|

Supplementary Information

| | |
|--|----|
| Summary Schedule of Program Expenses and Direct Revenues | 20 |
|--|----|

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Erie Neighborhood House

Report on the Financial Statements

We have audited the accompanying financial statements of Erie Neighborhood House (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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.

Auditors' 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 of 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 auditors' 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 Erie Neighborhood House as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2015 Summarized Comparative Financial Information

The financial statements of Erie Neighborhood House as of and for the year ended June 30, 2015, were audited by other auditors whose report dated October 14, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary schedule of program expenses and direct revenues, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Marcum LLP

Deerfield, IL
December 1, 2016

ERIE NEIGHBORHOOD HOUSE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016

(With Summarized Comparative Financial Information for June 30, 2015)

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 936,552 | \$ 817,368 |
| Investments | 2,542,589 | 2,652,453 |
| Accounts and pledges receivable, net | 1,462,754 | 1,669,776 |
| Due from governmental agencies, net | 665,813 | 777,690 |
| Prepaid expenses | 19,134 | 33,937 |
| Property and equipment, net | <u>1,305,352</u> | <u>1,117,423</u> |
| Total Assets | <u>\$ 6,932,194</u> | <u>\$ 7,068,647</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 169,673 | \$ 151,532 |
| Accrued expenses | 142,577 | 189,150 |
| Deferred revenue | 270,489 | 276,275 |
| Due to others | -- | 5,095 |
| Line of credit | <u>--</u> | <u>199,000</u> |
| Total Liabilities | <u>582,739</u> | <u>821,052</u> |
| Net Assets | | |
| Unrestricted | 4,244,112 | 4,061,634 |
| Temporarily restricted | 1,605,343 | 1,685,961 |
| Permanently restricted | <u>500,000</u> | <u>500,000</u> |
| Total Net Assets | <u>6,349,455</u> | <u>6,247,595</u> |
| Total Liabilities and Net Assets | <u>\$ 6,932,194</u> | <u>\$ 7,068,647</u> |

The accompanying notes are an integral part of these financial statements.

ERIE NEIGHBORHOOD HOUSE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Comparative Financial Information for the Year Ended June 30, 2015)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | | | | 2016 | 2015 |
| Revenue and Other Support | | | | | |
| Contributions | \$ 694,778 | \$ 338,000 | \$ -- | \$ 1,032,778 | \$ 2,561,319 |
| Donated goods and services | 348,543 | -- | -- | 348,543 | 336,872 |
| Special events | 592,893 | -- | -- | 592,893 | 461,145 |
| United Way of Chicago | 94,000 | -- | -- | 94,000 | 100,000 |
| Fees and grants from governmental agencies | 4,909,225 | -- | -- | 4,909,225 | 5,143,801 |
| Other income and program fees | 516,886 | -- | -- | 516,886 | 460,090 |
| Interest and dividends | 93,828 | -- | -- | 93,828 | 95,602 |
| Realized/unrealized gains (losses) | (123,144) | -- | -- | (123,144) | (111,993) |
| Miscellaneous income | 2,449 | -- | -- | 2,449 | 2,877 |
| Net assets released from restrictions | 418,618 | (418,618) | -- | -- | -- |
| Total Revenue and Other Support | <u>7,548,076</u> | <u>(80,618)</u> | <u>--</u> | <u>7,467,458</u> | <u>9,049,713</u> |
| Expenses | | | | | |
| Program services | 5,916,503 | -- | -- | 5,916,503 | 6,125,367 |
| Management and general | 653,181 | -- | -- | 653,181 | 790,504 |
| Fundraising | 795,914 | -- | -- | 795,914 | 932,614 |
| Total Expenses | <u>7,365,598</u> | <u>--</u> | <u>--</u> | <u>7,365,598</u> | <u>7,848,485</u> |
| Change in Net Assets | 182,478 | (80,618) | -- | 101,860 | 1,201,228 |
| Net Assets - Beginning | <u>4,061,634</u> | <u>1,685,961</u> | <u>500,000</u> | <u>6,247,595</u> | <u>5,046,367</u> |
| Net Assets - Ending | <u>\$ 4,244,112</u> | <u>\$ 1,605,343</u> | <u>\$ 500,000</u> | <u>\$ 6,349,455</u> | <u>\$ 6,247,595</u> |

The accompanying notes are an integral part of these financial statements.

ERIE NEIGHBORHOOD HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Comparative Financial Information for the Year Ended June 30, 2015)

| | Program Services | Supporting Services | | Totals | |
|-----------------------------------|----------------------------|---------------------------|--------------------------|----------------------------|----------------------------|
| | | Management and General | Fundraising | 2016 | 2015 |
| Salaries | \$ 2,946,412 | \$ 1,026,919 | \$ 267,556 | \$ 4,240,887 | \$ 4,479,109 |
| Payroll taxes | 216,494 | 78,005 | 19,269 | 313,768 | 329,390 |
| Insurance benefits | 380,125 | 164,213 | 34,676 | 579,014 | 618,399 |
| Retirement benefits | 50,530 | 18,695 | 4,622 | 73,847 | 54,457 |
| Professional fees | 15,568 | 143,799 | 132,351 | 291,718 | 452,868 |
| Donated goods and services | 255,372 | 16,119 | 4,000 | 275,491 | 336,871 |
| Contractual services | 4,388 | 2,110 | 6,694 | 13,192 | 39,856 |
| Program and office supplies | 204,534 | 13,257 | 660 | 218,451 | 156,945 |
| Duplicating expense | 53,937 | 9,357 | 1,525 | 64,819 | 69,051 |
| Cultural events | 11,785 | 9,249 | -- | 21,034 | 50,426 |
| Parent involvement | 8,946 | -- | -- | 8,946 | 8,550 |
| Food | 201,137 | -- | -- | 201,137 | 209,335 |
| Telephone | 1,118 | 23,287 | 687 | 25,092 | 31,426 |
| Postage and shipping | 7,054 | 786 | 746 | 8,586 | 8,255 |
| Insurance - general | 793 | 52,659 | -- | 53,452 | 44,894 |
| Occupancy | 22,059 | 308,731 | -- | 330,790 | 350,237 |
| Vehicle expense | -- | 4,802 | -- | 4,802 | 3,201 |
| Building and equipment expense | 1,337 | 91,778 | 2,536 | 95,651 | 100,644 |
| Printing and promotion | 8,912 | 972 | 33,256 | 43,140 | 41,555 |
| Meetings, conferences and travel | 29,316 | 17,349 | 7,953 | 54,618 | 70,581 |
| Software expense | 2,040 | -- | -- | 2,040 | 3,495 |
| Staff development | 20,384 | 8,893 | 372 | 29,649 | 20,726 |
| Dues and subscriptions | 22,382 | 14,328 | 1,946 | 38,656 | 27,251 |
| Bank, credit and investment fees | -- | 17,499 | 11,593 | 29,092 | 22,109 |
| Internet services | -- | 21,761 | -- | 21,761 | 21,480 |
| Scholarships | 45,107 | -- | -- | 45,107 | 29,975 |
| Special events | 2,246 | 325 | 139,157 | 141,728 | 117,280 |
| Direct assistance | 3,500 | 3,325 | -- | 6,825 | 7,226 |
| Interest | -- | 6,625 | -- | 6,625 | 19,794 |
| Depreciation and amortization | -- | 125,354 | -- | 125,354 | 121,719 |
| Miscellaneous | -- | 326 | -- | 326 | 1,380 |
| Subtotal | 4,515,475 | 2,180,524 | 669,599 | 7,365,598 | 7,848,485 |
| Allocation of supporting services | <u>1,401,028</u> | <u>(1,527,343)</u> | <u>126,315</u> | <u>--</u> | <u>--</u> |
| Total Expenses | \$ <u>5,916,503</u> | \$ <u>653,181</u> | \$ <u>795,914</u> | \$ <u>7,365,598</u> | \$ <u>7,848,485</u> |

The accompanying notes are an integral part of these financial statements.

ERIE NEIGHBORHOOD HOUSE

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Comparative Financial Information for the Year Ended June 30, 2015)

| | 2016 | 2015 |
|---|------------|--------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 101,860 | \$ 1,201,228 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 125,354 | 121,719 |
| Unrealized and realized losses on investments | 123,144 | 111,993 |
| Donated property and equipment | (73,052) | -- |
| Changes in operating assets and liabilities: | | |
| Accounts and pledges receivable | 207,022 | (1,532,636) |
| Due from governmental agencies | 111,877 | 174,659 |
| Prepaid expenses | 14,803 | (14,820) |
| Accounts payable | 18,141 | (53,955) |
| Accrued expenses | (46,573) | (4,327) |
| Deferred revenue | (5,786) | 228,111 |
| Due to others | (5,095) | (122,995) |
| Total Adjustments | 469,835 | (1,092,251) |
| Net Cash Provided by Operating Activities | 571,695 | 108,977 |
| Cash Flows From Investing Activities | | |
| Payments for acquisition of property and equipment | (240,231) | (62,838) |
| Purchases of investments | (690,924) | (17,264) |
| Proceeds from sales of investments | 677,644 | -- |
| Net Cash Used in Investing Activities | (253,511) | (80,102) |
| Cash Flows Used in Financing Activities | | |
| Payments on line of credit, net | (199,000) | (35,792) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 119,184 | (6,917) |
| Cash and Cash Equivalents - Beginning | 817,368 | 824,285 |
| Cash and Cash Equivalents - Ending | \$ 936,552 | \$ 817,368 |

The accompanying notes are an integral part of these financial statements.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Established in 1870 in the settlement house tradition, Erie Neighborhood House (the "Organization") was one of the first comprehensive social service agencies in Chicago, Illinois. The Organization's mission is to promote a just and inclusive society by strengthening low-income, primarily Latino families through skill-building, access to critical resources, advocacy and collaborative action. Operating in Chicago's West Town, Humboldt Park and Little Village neighborhoods, the Organization's comprehensive programs help over 5,600 participants annually create better lives for themselves and their families, while strengthening community action and civic engagement.

CASH FLOWS

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash paid for interest was \$6,625 during the year ended June 30, 2016.

During the year ended June 30, 2016, the Organization received \$73,052 of donated property and equipment, which was treated as noncash for purposes of the statement of cash flows.

CASH BALANCES IN EXCESS OF INSURED AMOUNTS

The Organization maintains its cash in accounts which, at times, may exceed federally insured limits. Erie Neighborhood House has not experienced any losses due to these limits.

BASIS OF PRESENTATION

The accounts of the Organization are maintained in accordance with the principles of fund accounting, whereby resources are classified for accounting and reporting purposes into net assets established according to their nature and purposes.

Unrestricted Net Assets

Represents the portion of expendable funds that are available for the daily operations of the Organization, which are not limited by donor restriction as to use.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

Consist of donor-restricted contributions for specified projects as well as contributions received with time restrictions. When a temporary restriction expires, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. At June 30, 2016, temporarily restricted net assets consist of purpose restrictions of \$1,605,343. This amount represents revenue for programs to be implemented in the future, and although the revenue is recognized in the current period, the related expenses will not be recognized until they are incurred.

Permanently Restricted Net Assets

Consists of donor-restricted contributions requiring that the principal be invested in perpetuity with the income to be used only for certain purposes.

REVENUE RECOGNITION AND RECEIVABLES

The Organization receives support and revenue from various funding sources in order to support their programs. Grants may be recognized as revenue either when received or based on a cost-reimbursement methodology as stated in the grant agreement. Contributions, including unconditional promises to give, are recognized as revenues in the period received. All contributions are available for unrestricted use unless explicit donor stipulations specify how or when the contributions may be used. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, using risk adjusted interest rates applicable to those years in which the promises are to be received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Management assesses the collectability of promises to give based on historical results and current market conditions. Receivables, other than pledges receivable, of over 30 days are considered past due. Temporarily restricted contributions for which the restriction is satisfied in the same year as the contribution is received are accounted for as temporarily restricted support and net assets released from restriction.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are reported at fair value determined at the end of each reporting period. Fair value is based on quoted prices in active markets and changes in fair value are recorded as unrealized gains or losses. Gain and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or fair value if contributed. It is the Organization's policy to capitalize expenditures for long-lived assets if they are over \$5,000. Repairs and maintenance are charged to expense, and renewals and betterments that extend the useful lives of assets are capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Building | 25 |
| Building and leasehold improvements | 5-30 |
| Furniture and equipment | 5-10 |
| Software | 5 |
| Vehicles | 7 |

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. There were no impairment indicators at June 30, 2016.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED GOODS AND SERVICES

Donated marketable securities, equipment and other assets are recorded as contributions at their estimated fair values at the date of donation. The Organization received donated property and equipment totaling \$73,052 and other various items totaling \$32,837 during the year ended June 30, 2016.

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Total amount of donated services for the year ended June 30, 2016 was \$242,654.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, the Organization has made no provision for income taxes in the accompanying financial statements.

The Organization accounts for any potential interest or penalties related to the possible future liabilities for unrecognized income tax benefits as interest or other expense. There was no income tax related interest or penalties during the year ended June 30, 2016. The Organization's income taxes are subject to examination by federal and state taxing authorities for three years after they were filed. There are currently no examinations for any tax periods.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRIOR YEAR SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

RECLASSIFICATIONS

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the current presentation.

DATE OF MANAGEMENT'S REVIEW

The Organization evaluated all significant events or transactions through December 1, 2016, the date that the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments at June 30, 2016 are summarized as follows:

| | Cost | Market Value | Accumulated Unrealized Gain |
|--------------|--------------------|--------------------|-----------------------------|
| Mutual funds | \$2,164,460 | \$2,528,168 | \$363,708 |
| Money market | <u>14,421</u> | <u>14,421</u> | <u>--</u> |
| Total | <u>\$2,178,881</u> | <u>\$2,542,589</u> | <u>\$363,708</u> |

Investment income (loss) consisted of the following for the year ended June 30, 2016:

| | |
|-------------------------------------|--------------------|
| Interest and dividends | \$ 93,828 |
| Realized and unrealized losses, net | <u>(123,144)</u> |
| Total | <u>\$ (29,316)</u> |

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable reflect amounts receivable from non-governmental sources. Pledges are recorded as promises to give in the period in which the promise is received. During the year ended June 30, 2015, the Organization kicked off a capital campaign to raise funding for a proposed space in the Little Village neighborhood. Various multi-year pledges have been received and recorded as accounts and pledges receivable and discounted to net present value based on yield rates of treasury bills with similar terms. A discount of \$10,668 has been recorded associated with pledges expected to be received in more than 1 year. Management has assessed accounts and pledges receivable and determined that no allowance is necessary.

Accounts and pledges receivable consist of the following as of June 30, 2016:

| | |
|---|--------------------|
| Pledges receivable due in one year or less | \$ 906,210 |
| Pledges due in one to five years | <u>546,915</u> |
| Total Pledges Receivable | 1,453,125 |
| Discount on pledges receivable | <u>(10,668)</u> |
| Net Pledges Receivable | 1,442,457 |
| Miscellaneous receivables | <u>20,297</u> |
| Total Accounts and Pledges Receivable, Net | <u>\$1,462,754</u> |

NOTE 4 - DUE FROM GOVERNMENTAL AGENCIES

The Organization has entered into contracts with the City of Chicago through the Department of Family and Support Services as well as other state and local government agencies. The contracts provide for reimbursement of subsidized childcare services based on a per diem rate limited to a specified maximum.

Management assesses the allowance for doubtful amounts due from governmental agencies based on historical results and specific information from the agencies. As of June 30, 2016, management has estimated an allowance of \$22,534.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 – DUE FROM GOVERNMENTAL AGENCIES (CONTINUED)

Vouchers submitted for covered expenses, services and advances and other government grants receivable are as follows at June 30, 2016:

| | |
|--|-------------------|
| Illinois Action for Children | \$ 18,689 |
| Cook County Works | 23,162 |
| City of Chicago-CDBG | 14,410 |
| CHA Housing Outreach | 44,075 |
| Projecto Cuidate | 29,167 |
| Head Start | 73,740 |
| Early Learning for Immigrant Families | 5,666 |
| YOU | 4,492 |
| Illinois State Board of Education food program | 21,902 |
| Illinois Department of Human Services – Child Care | 379,996 |
| Latino Policy Forum | 19,929 |
| Chinese Mutual Aid Association | <u>53,119</u> |
| Due From Governmental Agencies | 688,347 |
| Less: allowance for uncollectible agency receivables | <u>(22,534)</u> |
| Due From Governmental Agencies, Net | <u>\$ 665,813</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

| | |
|--|--------------------|
| Land | \$ 90,860 |
| Property held for development (see Note 6) | 100,000 |
| Building | 615,090 |
| Building and leasehold improvements | 797,430 |
| Furniture and equipment | 112,609 |
| Software | 41,180 |
| Vehicles | 50,345 |
| Construction in progress | <u>256,630</u> |
| Total Cost | 2,064,144 |
| Less: accumulated depreciation | <u>(758,792)</u> |
| Property and Equipment, Net | <u>\$1,305,352</u> |

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2016 amounted to \$125,354.

NOTE 6 - PROPERTY HELD FOR DEVELOPMENT

Under the terms of a joint-venture termination agreement with another non-profit entity, the Organization received two adjacent properties located in the Little Village neighborhood of Chicago. The Organization has recorded this transfer of property at the approximate fair value at the time of the transfer. It is the present intention of the Organization to develop the properties and the balance in the Construction in progress account reflects various demolition and architect fees. The properties, which are valued at approximately \$100,000, are recorded under property and equipment as assets held for development. The Organization has reviewed the values at June 30, 2016 and believe the estimated values are reasonable.

NOTE 7 - LINE OF CREDIT

The Organization has a \$1,500,000 line of credit available which expires on April 15, 2017. Interest is computed at the greater of 3% or the prime rate (3.50% as of June 30, 2016). There was no outstanding balance on the line of credit as of June 30, 2016.

NOTE 8 - RESTRICTIONS ON NET ASSETS

The permanently restricted net asset balance consists of funds that cannot be spent without specific permission from the donor. Investments in the amount of \$500,000 are permanently restricted as of June 30, 2016. The earnings on the assets of this fund may be used to fund operations.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - RESTRICTIONS ON NET ASSETS (CONTINUED)

Temporarily restricted net assets, which are restricted by the donor either for a specific time period and/or a specific purpose, consist of the following at June 30, 2016:

| | |
|--|----------------------------|
| Program Grants: | |
| Workforce Grant | \$ 95,000 |
| READS Grant | 30,000 |
| Adult Literacy Grant | 35,000 |
| CCT DACA – Citizenship | 10,000 |
| AETNA – Health Grant | 50,000 |
| Capital Campaign | <u>1,385,343</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 1,605,343</u> |

Program grants were received during the year ended June 30, 2016 to be expended in subsequent periods.

Net assets were released from restrictions for the following during the year ended June 30, 2016:

| | |
|--|--------------------------|
| Program services | \$ 282,500 |
| Education – scholarship | 10,667 |
| Capital Campaign – construction costs | <u>125,451</u> |
| Total Net Assets Released From Restrictions | <u>\$ 418,618</u> |

NOTE 9 - CONTRIBUTIONS

Contributions were received from the following sources during the year ended June 30, 2016:

| | |
|--------------------------------------|----------------------------|
| Individuals | \$ 133,770 |
| Capital Campaign | 3,000 |
| Foundations, corporations and trusts | 869,631 |
| Congregations | <u>26,377</u> |
| Total Contributions | <u>\$ 1,032,778</u> |

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 - CONCENTRATIONS

The Organization received approximately 42% of its revenue and other support from the U.S. Department of Health and Human Services, which was passed through either the Illinois Department of Human Services or the City of Chicago Department of Family and Support Services.

NOTE 11 - RETIREMENT PLAN

The Organization has a 403(b) retirement plan which covers eligible employees. Employees are eligible to make elective deferrals up to Internal Revenue Service limits, immediately upon being hired. Employees that work more than 1,000 hours per year become eligible for matching contributions up to 2.5%, one year after their hire date.

Retirement plan expense for the year ended June 30, 2016 was \$73,847.

NOTE 12 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, the Organization engaged in transactions with Erie Elementary Charter School (the "School"), a tax-exempt charter school located in Chicago, Illinois. The Organization and the School have certain common board members. For the year ended June 30, 2016, the School paid the Organization \$21,367 for certain resource and development services, which is included in other income and program fees on the statements of activities and changes in net assets.

The Organization has a fiscal agency agreement with a recently formed nonprofit organization that is in the process of obtaining its 501(c)(3) designation from the Internal Revenue Service. A member of the board of the recently formed organization is a former employee of the Organization. The Organization received fiscal agency fees of \$16,285 for the year ended June 30, 2016.

During the year ended June 30, 2016, the Organization received donations of \$104,926 from members of management and the board of directors.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1

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

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

Investments are the Organization's only financial assets accounted for at fair value on a recurring basis, and are accounted for using solely level 1 inputs. There have been no changes in methodologies for the year ended June 30, 2016.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements recorded on a recurring basis at June 30, 2016 were as follows:

| Description | Fair Value Measurements at Reporting Date Using | | | |
|-----------------------------|---|--|--|--|
| | Fair Values as of June 30, 2016 | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Mutual Funds | | | | |
| Large cap funds | \$ 687,595 | \$ 687,595 | \$ -- | \$ -- |
| Mid cap funds | 123,554 | 123,554 | -- | -- |
| Small cap funds | 62,301 | 62,301 | -- | -- |
| International funds | 866,145 | 866,145 | -- | -- |
| Fixed income funds | 579,167 | 579,167 | -- | -- |
| Real estate investment fund | 104,269 | 104,269 | -- | -- |
| Commodities investment fund | 105,137 | 105,137 | -- | -- |
| Money market | <u>14,421</u> | <u>14,421</u> | <u>--</u> | <u>--</u> |
| Totals | <u>\$2,542,589</u> | <u>\$2,542,589</u> | <u>\$ --</u> | <u>\$ --</u> |

The Organization's money market funds are classified within Level 1 and valued based on quoted market prices and are deemed to be actively traded. Securities included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 14 - LEASES

The Organization leases certain property for its immigrant resource center in the Little Village neighborhood. The lease term is through December 31, 2019. Rent expense for the year ended June 30, 2016 was \$39,369. Future minimum payments are as follows:

| For the Years Ended June 30, | Amount |
|---------------------------------|-------------------------|
| 2017 | \$ 51,033 |
| 2018 | 51,033 |
| 2019 | 52,563 |
| 2020 | <u>27,047</u> |
| Total | <u>\$181,676</u> |

The Organization also conducts operations at a location owned by the Presbytery of Chicago. In lieu of rental payments, the Organization operates and maintains the property. Effective June 20, 2014, the Organization has signed a lease with the Church Extension Board of the Presbytery of Chicago for a term of fifteen years, expiring February 28, 2028. There are no lease payments called for in the lease. Additionally, the Organization was granted the right of first refusal to purchase the property if it is to be sold.

NOTE 15 - CONTINGENCY

The Organization has received significant revenues from federal, state and city agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability.

NOTE 16 - WALLACE FOUNDATION

The Organization received funds from the Wallace Foundation during July 2011 that are to be held in perpetuity. These unrestricted funds are to be used to support the general mission of the Organization and those activities necessary to ensure the quality of programs or the stability of the Organization. These funds can be used as an internal line of credit, but must be repaid as of the close of the following fiscal year. Funds may require repayment to the Wallace Foundation if the Organization fails to comply with the terms of the agreement, significant organization leadership changes occur, or upon the dissolution of the Organization. The balance in this account was \$125,000 at June 30, 2016.

ERIE NEIGHBORHOOD HOUSE
SUMMARY SCHEDULE OF PROGRAM EXPENSES AND DIRECT REVENUES
FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Comparative Financial Information for the Year Ended June 30, 2015)

| | Child Care | Adult Program | Youth Program | School Age Program | Workforce Development | Leadership Advocacy | Total | |
|-----------------------------------|---------------------|-------------------|-------------------|-----------------------|--------------------------|------------------------|---------------------|---------------------|
| | | | | | | | 2016 | 2015 |
| Program Expenses | | | | | | | | |
| Salaries | \$ 1,602,578 | \$ 486,849 | \$ 184,642 | \$ 336,897 | \$ 250,210 | \$ 85,236 | \$ 2,946,412 | \$ 3,095,233 |
| Payroll taxes | 116,076 | 36,280 | 13,632 | 26,078 | 18,128 | 6,299 | 216,494 | 227,736 |
| Insurance benefits | 207,219 | 62,200 | 23,936 | 43,702 | 32,019 | 11,049 | 380,125 | 413,065 |
| Retirement benefits | 27,432 | 8,583 | 3,138 | 5,790 | 4,174 | 1,413 | 50,530 | 39,866 |
| Professional fees | 3,100 | 10,920 | -- | 883 | -- | 665 | 15,568 | 38,718 |
| Donated goods and services | 219,938 | 10,115 | 20,026 | 5,268 | 25 | -- | 255,372 | 271,431 |
| Contractual services | 950 | 1,425 | 2,013 | -- | -- | -- | 4,388 | 37,713 |
| Program and office supplies | 106,741 | 39,794 | 28,898 | 13,724 | 1,409 | 13,968 | 204,534 | 141,169 |
| Duplicating expense | 11,129 | 25,721 | 1,744 | 2,633 | 10,731 | 1,979 | 53,937 | 39,915 |
| Cultural events | -- | -- | 1,229 | 10,231 | -- | 325 | 11,785 | 34,332 |
| Parent involvement | 7,477 | -- | -- | 394 | -- | 1,075 | 8,946 | 8,550 |
| Food | 133,434 | 2,246 | 6,009 | 51,868 | 1,614 | 5,966 | 201,137 | 209,335 |
| Telephone | 305 | 399 | -- | -- | -- | 414 | 1,118 | 5,885 |
| Postage and shipping | 206 | 6,758 | 55 | 17 | 18 | -- | 7,054 | 10,174 |
| Insurance - general | -- | 793 | -- | -- | -- | -- | 793 | -- |
| Occupancy | -- | 259 | -- | 21,800 | -- | -- | 22,059 | 22,058 |
| Building and equipment expense | 1,019 | -- | -- | 318 | -- | -- | 1,337 | 954 |
| Printing and promotion | 1,148 | 4,368 | 500 | -- | 2,761 | 135 | 8,912 | 17,689 |
| Meetings, conferences and travel | 6,480 | 9,185 | 457 | 7,509 | 304 | 5,381 | 29,316 | 37,579 |
| Software expense | -- | 800 | 1,240 | -- | -- | -- | 2,040 | 3,495 |
| Staff development | 8,570 | 8,566 | 676 | 1,288 | 1,109 | 175 | 20,384 | 19,956 |
| Dues and subscriptions | 1,598 | 18,136 | 96 | 986 | 500 | 1,066 | 22,382 | 6,027 |
| Scholarships | -- | -- | 45,107 | -- | -- | -- | 45,107 | 29,975 |
| Special events | -- | 1,647 | 300 | -- | 299 | -- | 2,246 | 1,347 |
| Direct assistance | 1,509 | 234 | 54 | 194 | 1,509 | -- | 3,500 | 3,976 |
| Allocation of supporting services | 757,106 | 231,578 | 88,781 | 163,975 | 118,287 | 41,301 | 1,401,028 | 1,409,189 |
| Total Program Expenses | <u>\$ 3,214,016</u> | <u>\$ 966,856</u> | <u>\$ 422,532</u> | <u>\$ 693,556</u> | <u>\$ 443,097</u> | <u>\$ 176,447</u> | <u>\$ 5,916,503</u> | <u>\$ 6,125,367</u> |
| Direct Revenues | | | | | | | | |
| Contributions | \$ 79,000 | \$ 283,830 | \$ 200,830 | \$ 8,012 | \$ 293,826 | \$ 101,724 | \$ 967,222 | \$ 755,022 |
| Donated goods and services | 219,938 | 10,115 | 20,026 | 5,229 | 25 | -- | 255,333 | 271,431 |
| Fees and governmental grants | 3,284,370 | 506,987 | 86,444 | 923,424 | 108,000 | -- | 4,909,225 | 5,187,021 |
| Other income and program fees | 182,987 | 122,218 | 638 | 92,498 | 12,797 | -- | 411,138 | 343,405 |
| Total Direct Revenues | <u>\$ 3,766,295</u> | <u>\$ 923,150</u> | <u>\$ 307,938</u> | <u>\$ 1,029,163</u> | <u>\$ 414,648</u> | <u>\$ 101,724</u> | <u>\$ 6,542,918</u> | <u>\$ 6,556,879</u> |

See independent auditors' report.