

ERIE NEIGHBORHOOD HOUSE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2018

**(With Summarized Comparative Financial Information
for the Year Ended June 30, 2017)**

ERIE NEIGHBORHOOD HOUSE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Erie Neighborhood House

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, 2018, 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 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 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, 2018, 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 2017 Summarized Comparative Financial Information

We have previously audited Erie Neighborhood House's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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 21, 2018

ERIE NEIGHBORHOOD HOUSE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018

(With Summarized Comparative Financial Information for June 30, 2017)

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,413,625	\$ 1,575,701
Investments	3,018,772	2,835,681
Accounts and pledges receivable, net	1,531,143	1,494,073
Due from governmental agencies, net	839,187	479,884
Prepaid expenses	48,675	22,548
Property and equipment, net	<u>1,462,239</u>	<u>1,399,738</u>
Total Assets	<u>\$ 8,313,641</u>	<u>\$ 7,807,625</u>
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ 553,500	\$ 58,000
Accounts payable	136,153	121,372
Accrued expenses	191,747	180,092
Advances refundable	<u>301,180</u>	<u>336,301</u>
Total Liabilities	<u>1,182,580</u>	<u>695,765</u>
Net Assets		
Unrestricted	5,031,774	5,040,573
Temporarily restricted	1,599,287	1,571,287
Permanently restricted	<u>500,000</u>	<u>500,000</u>
Total Net Assets	<u>7,131,061</u>	<u>7,111,860</u>
Total Liabilities and Net Assets	<u>\$ 8,313,641</u>	<u>\$ 7,807,625</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, 2018

(With Summarized Comparative Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Revenue and Other Support					
Contributions	\$ 715,003	\$ 361,500	\$ --	\$ 1,076,503	\$ 1,723,056
Donated goods and services	838,862	--	--	838,862	235,303
Special events	694,158	--	--	694,158	519,701
United Way of Chicago	70,000	50,000	--	120,000	94,000
Fees and grants from governmental agencies	5,514,921	--	--	5,514,921	5,050,212
Other income and program fees	632,997	--	--	632,997	591,447
Interest and dividends	107,059	--	--	107,059	87,656
Realized/unrealized gains (losses)	153,745	--	--	153,745	287,239
Miscellaneous income	935	--	--	935	1,008
Net assets released from restrictions	383,500	(383,500)	--	--	--
Total Revenue and Other Support	<u>9,111,180</u>	<u>28,000</u>	<u>--</u>	<u>9,139,180</u>	<u>8,589,622</u>
Expenses					
Program services	7,547,886	--	--	7,547,886	6,706,374
Management and general	415,521	--	--	415,521	454,090
Management and general - donated legal services	421,252	--	--	421,252	--
Fundraising	735,320	--	--	735,320	666,753
Total Expenses	<u>9,119,979</u>	<u>--</u>	<u>--</u>	<u>9,119,979</u>	<u>7,827,217</u>
Change in Net Assets	(8,799)	28,000	--	19,201	762,405
Net Assets - Beginning	<u>5,040,573</u>	<u>1,571,287</u>	<u>500,000</u>	<u>7,111,860</u>	<u>6,349,455</u>
Net Assets - Ending	<u>\$ 5,031,774</u>	<u>\$ 1,599,287</u>	<u>\$ 500,000</u>	<u>\$ 7,131,061</u>	<u>\$ 7,111,860</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, 2018

(With Summarized Comparative Financial Information for the Year Ended June 30, 2017)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2018	2017
Salaries	\$ 3,782,572	\$ 1,053,182	\$ 252,593	\$ 5,088,347	\$ 4,623,591
Payroll taxes	275,152	74,261	17,868	367,281	335,591
Insurance benefits	501,556	119,646	33,566	654,768	587,200
Retirement benefits	70,602	19,687	4,722	95,011	86,081
Professional fees	52,730	319,130	49,704	421,564	238,328
Donated goods and services	247,560	426,067	33,997	707,624	235,303
Contractual services	44,744	7,231	--	51,975	61,271
Program and office supplies	194,540	20,545	3,611	218,696	153,494
Duplicating expense	48,273	12,483	2,079	62,835	74,248
Cultural events	35,968	10,011	--	45,979	29,062
Parent involvement	7,934	--	--	7,934	11,307
Food	218,154	99	34	218,287	207,570
Telephone	1,572	21,066	406	23,044	23,633
Postage and shipping	8,437	775	1,796	11,008	21,490
Insurance - general	--	50,631	--	50,631	51,581
Occupancy	13,105	349,594	--	362,699	358,942
Vehicle expense	--	3,976	--	3,976	3,280
Building and equipment expense	2,510	90,029	--	92,539	97,430
Printing and promotion	67,159	506	11,999	79,664	98,405
Meetings, conferences and travel	43,556	15,958	5,493	65,007	65,759
Software expense	1,710	--	--	1,710	800
Staff development	32,168	7,756	824	40,748	35,336
Dues and subscriptions	30,644	14,109	1,898	46,651	68,904
Bank, credit and investment fees	--	23,507	8,041	31,548	26,739
Internet services	--	22,060	--	22,060	22,516
Scholarships	30,489	--	--	30,489	45,155
Special events	450	4,921	186,774	192,145	139,946
Direct assistance	2,058	1,250	--	3,308	3,184
Interest	--	10,236	--	10,236	7,027
Depreciation and amortization	--	110,989	--	110,989	112,441
Miscellaneous	<u>260</u>	<u>821</u>	<u>145</u>	<u>1,226</u>	<u>1,603</u>
Subtotal	5,713,903	2,790,526	615,550	9,119,979	7,827,217
Allocation of supporting services	<u>1,833,983</u>	<u>(1,953,753)</u>	<u>119,770</u>	<u>--</u>	<u>--</u>
Total Expenses	<u>\$ 7,547,886</u>	<u>\$ 836,773</u>	<u>\$ 735,320</u>	<u>\$ 9,119,979</u>	<u>\$ 7,827,217</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, 2018

(With Summarized Comparative Financial Information for the Year Ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 19,201	\$ 762,405
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	110,989	112,441
Unrealized and realized (gains)/losses on investments	(153,745)	(287,239)
Donated property and equipment	131,238	--
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(36,329)	(7,190)
Due from governmental agencies	(359,303)	185,929
Prepaid expenses	(26,127)	(3,414)
Accounts payable	14,781	(48,303)
Accrued expenses	11,655	37,517
Deferred revenue	(35,121)	65,812
Total Adjustments	(341,962)	55,553
Net Cash (Used in) Provided by Operating Activities	(322,761)	817,958
Cash Flows From Investing Activities		
Payments for acquisition of property and equipment	(304,728)	(206,827)
Purchases of investments	(479,681)	(520,172)
Proceeds from sales of investments	450,335	514,319
Net Cash Used in Investing Activities	(334,074)	(212,680)
Cash Flows From Financing Activities		
Proceeds from on line of credit, net	495,500	58,000
Pledges received for the capital campaign	(741)	(24,129)
Net Cash Provided by Financing Activities	494,759	33,871
Net (Decrease) Increase in Cash and Cash Equivalents	(162,076)	639,149
Cash and Cash Equivalents - Beginning	1,575,701	936,552
Cash and Cash Equivalents - Ending	\$ 1,413,625	\$ 1,575,701

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

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 empower its community – Latinx immigrants alongside individuals and families of all backgrounds – through education, access to critical services and advocacy, working to create a just and inclusive society. With two sites in West Town, a site in Humboldt Park and a community center in Little Village, the Organization provides direct services to over 4,600 individuals, and reaches an additional 13,300 people annually through educational workshops and community outreach efforts that help strengthen the community, build leadership, and encourage civic engagement.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis revenues are recognized when earned and expenses when the related liabilities for goods and services are incurred, regardless of the timing of cash flows. 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. The Organization is required to present its net assets in the following three categories:

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 but can be designated by the Board of Directors for investment, capital assets, or other activities.

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, 2018, temporarily restricted net assets consist of purpose restrictions of \$1,599,287. This amount represents revenue for programs to be implemented in the future, and although the revenue is recognized as temporarily restricted in the period awarded, the related expenses will not be recognized until they are incurred. At that time, the related revenue will be reclassified from temporarily restricted to unrestricted.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

BASIS OF PRESENTATION (CONTINUED)

Permanently Restricted Net Assets

Consists of donor-restricted contributions requiring that the principal be invested in perpetuity with the income available for current use. There are no donor-restrictions imposed upon the income generated from permanently restricted net assets.

CASH FLOWS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest was \$10,236 for the year ended June 30, 2018.

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.

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 unrestricted support as net assets released from restriction.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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:

	Years
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, 2018.

ACCRUED VACATION

The Organization accrues unused vacation pay for employees. Unused vacation time may be carried over into the following month and must be taken no later than July 31st. Written permission must be obtained to carry over unused vacation time.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

DONATED GOODS AND SERVICES

Donated marketable securities, equipment and other assets converted to cash are recorded as contributions at fair value at the date of donation. Any assets received and not converted to cash are recorded as contributions at their estimated fair values at the date of donation. The Organization received donated goods totaling \$181,949 during the year ended June 30, 2018.

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, 2018 was \$656,913. A majority of the donated services were from a law firm with regards to the organization of a union as mentioned in Note 17.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 expense or income tax expense, respectively, in the financial statements. There was no income tax related interest or penalties during the year ended June 30, 2018. In addition, the Organization has taken no uncertain tax positions as of June 30, 2018. The Organization’s income taxes are subject to examination by federal and state taxing authorities. There are currently no examinations for any tax periods pending or in progress.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

SUBSEQUENT EVENTS

The Organization evaluated all significant events or transactions through December 21, 2018, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 2 - INVESTMENTS

Investments at June 30, 2018 are summarized as follows:

	Cost	Market Value	Accumulated Unrealized Gain
Mutual funds	\$2,019,178	\$2,737,536	\$718,358
Money market	<u>281,236</u>	<u>281,236</u>	<u>--</u>
Total	<u>\$2,300,414</u>	<u>\$3,018,772</u>	<u>\$718,358</u>

Investment income consisted of the following for the year ended June 30, 2018:

Interest and dividends	\$107,059
Realized and unrealized gains, net	<u>153,745</u>
Total	<u>\$260,804</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 \$4,410 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, 2018:

Pledges receivable due in one year or less	\$ 681,787
Pledges due in one to five years	<u>848,112</u>
Total Pledges Receivable	1,529,899
Discount on pledges receivable	<u>(4,410)</u>
Net Pledges Receivable	1,525,489
Miscellaneous receivables	<u>5,654</u>
Total Accounts and Pledges Receivable, Net	<u>\$1,531,143</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, 2018, management has estimated an allowance of \$4,318.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018:

City of Chicago Department of Health	\$ 12,810
City of Chicago Department of Planning and Development	1,342
Chicago Housing Urban Development	56,587
Chinese Mutual Aid Association	68,759
Department of Children and Family Services	1,375
Department of Family Support Services	88,974
Illinois Community College Board	11,986
Illinois Criminal Justice Information Authority	42,594
Illinois Department of Human Services	397,301
Illinois Board of Education	22,185
The Resurrection Project	24,444
Chicago Public Schools, Board of Education	<u>115,148</u>
Due From Governmental Agencies	843,505
Less: allowance for uncollectible agency receivables	<u>(4,318)</u>
Due From Governmental Agencies, Net	<u><u>\$ 839,187</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

Land	\$ 90,860
Property held for development (see Note 6)	100,000
Building	615,090
Building and leasehold improvements	959,630
Furniture and equipment	136,236
Vehicles	70,345
Deposit on Fixed Asset	34,167
Construction in progress	<u>330,586</u>
Total Cost	2,336,914
Less: accumulated depreciation	<u>(874,675)</u>
Property and Equipment, Net	<u><u>\$1,462,239</u></u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2018 amounted to \$110,989.

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 during 2010. The Organization 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 property held for development.

NOTE 7 - LINE OF CREDIT

The Organization has a \$1,500,000 line of credit available which expires on April 15, 2019. Interest is computed at the greater of the rate margin or the sum of the rate margin plus the overnight LIBOR (4.68% as of June 30, 2018). The outstanding balance on the line of credit is \$553,500 as of June 30, 2018. The line of credit is collateralized by substantially all interests or benefits from the investment account held at The Northern Trust Company.

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, 2018. 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, 2018

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, 2018:

Foundation and Non-Profit Grants:	
United Way – Robert McCormick	\$ 25,000
Unidios US DACA Grant Citizenship	5,000
Chicago Tribune Charities – Adult Literacy Grant	27,900
Barker Welfare Foundation – Childcare	12,500
IMC Charitable Foundation – Childcare	75,000
Chicago Community Trust	13,750
Conagra Brands Foundation – Health	25,000
Chicago Community Trust – Manufacturing Grant	25,000
Chicago Tribune Charities – READS Grant	14,000
Dollar General – Adult Literacy	10,000
Capital Campaign	<u>1,366,137</u>
Total Temporarily Restricted Net Assets	<u>\$1,599,287</u>

Foundation and non-profit grants were received during the year ended June 30, 2018 to be expended in subsequent periods. Donations have been received for a capital campaign that is currently on hold due to state funding.

Net assets were released from restrictions for the following during the year ended June 30, 2018:

Program services	<u>\$ 383,500</u>
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NOTE 9 - CONTRIBUTIONS

Contributions were received from the following sources during the year ended June 30, 2018:

Individuals	\$ 96,017
Foundations, corporations and trusts	965,192
Congregations	<u>15,294</u>
Total Contributions	<u>\$1,076,503</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 - CONCENTRATIONS

The Organization received approximately 27% 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, 2018, was \$95,011.

NOTE 12 - RELATED PARTY TRANSACTIONS

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 \$6,525 for the year ended June 30, 2018.

During the year ended June 30, 2018, the Organization received donations of \$99,685 from members of management and the board of directors.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 in mutual funds are accounted for at fair value on a recurring basis, and are accounted for as level 1 inputs. There have been no changes in methodologies for the year ended June 30, 2018.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements recorded on a recurring basis at June 30, 2018 were as follows:

Description	Fair Values as of June 30, 2018	Fair Value Measurements at Reporting Date Using		
		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	\$ 712,094	\$ 712,094	\$ --	\$ --
Mid cap funds	128,417	128,417	--	--
Small cap funds	73,242	73,242	--	--
International funds	1,010,234	1,010,234	--	--
Fixed income funds	539,347	539,347	--	--
Real estate investment fund	70,659	70,659	--	--
Commodities investment fund	203,543	203,543	--	--
Money market	<u>281,236</u>	<u>281,236</u>	--	--
Totals	<u>\$3,018,772</u>	<u>\$3,018,772</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. There have been no transfers between the levels during the year ended June 30, 2018.

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, 2018 was \$52,308. Future minimum payments are as follows:

For the Years Ending June 30,	Amount
2019	\$ 52,563
2020	<u>27,047</u>
Total	<u>\$ 79,610</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 14 - LEASES (CONTINUED)

The Organization also conducts operations at a location owned by the Presbytery of Chicago. 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. In lieu of rental payments, the Organization operates and maintains the property, the payments of which, although varying year-to-year, are considered by both parties to be rental equivalent. 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. Management believes that any disallowance would not be material to the financial statements.

NOTE 16 - WALLACE FOUNDATION

The Organization received funds from the Wallace Foundation during July 2011 that are to be held in perpetuity. However, these funds are available for current use. 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 \$125,800 at June 30, 2018.

NOTE 17 - UNION

In May of 2018, the employees of the Organization voted in favor for the formation of a union. Currently, the Union is developing a collective-bargaining agreement which will be provided the Organization for negotiation. During this time, the Organization must maintain status quo as it relates to wages, benefits and working conditions.

ERIE NEIGHBORHOOD HOUSE
SUMMARY SCHEDULE OF PROGRAM EXPENSES AND DIRECT REVENUES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Financial Information for the Year Ended June 30, 2017)

	Child Care	Adult Program	YOU	School Age Program	Citizenship and Immigration	Workforce Development	Health and Leadership	Direct Program Management	Total	
									2018	2017
Program Expenses										
Salaries	\$ 1,647,212	\$ 600,959	\$ 200,185	\$ 453,178	\$ 370,943	\$ 225,709	\$ 119,707	\$ 164,679	\$ 3,782,572	\$ 3,256,186
Payroll taxes	117,015	45,077	14,895	33,923	27,172	16,629	8,963	11,478	275,152	238,426
Insurance benefits	218,747	79,446	26,340	60,004	48,889	29,997	15,795	22,338	501,556	390,014
Retirement benefits	30,814	11,177	3,708	8,455	6,868	4,215	2,230	3,135	70,602	61,024
Professional fees	30,000	16,935	--	45	250	--	5,500	--	52,730	10,776
Donated goods and services	181,947	10,744	19,014	35,855	--	--	--	--	247,560	227,356
Contractual services	--	20,640	8,175	15,225	--	--	704	--	44,744	43,306
Program and office supplies	59,080	44,105	29,180	27,430	8,730	8,134	17,171	710	194,540	135,960
Duplicating expense	10,862	17,482	438	1,624	9,892	1,639	6,336	--	48,273	59,832
Cultural events	565	10,786	5,454	19,163	--	--	--	--	35,968	20,727
Parent involvement	7,934	--	--	--	--	--	--	--	7,934	11,307
Food	152,697	1,941	5,288	50,473	--	646	7,109	--	218,154	207,479
Telephone	404	900	--	--	--	--	268	--	1,572	2,256
Postage and shipping	85	811	36	8	7,461	36	--	--	8,437	19,121
Insurance - general	--	--	--	--	--	--	--	--	--	893
Occupancy	25	--	--	13,080	--	--	--	--	13,105	21,800
Building and equipment expense	1,521	--	--	989	--	--	--	--	2,510	1,027
Printing and promotion	--	64,169	1,162	--	329	73	1,426	--	67,159	70,741
Meetings, conferences and travel	2,745	12,914	1,892	13,388	7,385	1,917	3,315	--	43,556	27,857
Software expense	--	1,710	--	--	--	--	--	--	1,710	800
Staff development	11,095	6,602	6,053	2,342	4,470	1,127	479	--	32,168	20,500
Dues and subscriptions	155	1,107	51	154	27,796	1,381	--	--	30,644	44,895
Scholarships	--	--	30,489	--	--	--	--	--	30,489	45,155
Special events	--	--	450	--	--	--	--	--	450	566
Direct assistance	--	1,592	--	--	--	466	--	--	2,058	1,909
Miscellaneous	60	104	--	91	5	--	--	--	260	750
Allocation of supporting services	926,423	336,553	111,873	253,964	207,636	126,888	66,971	(196,325)	1,833,983	1,785,711
Total Program Expenses	\$ 3,399,386	\$ 1,285,754	\$ 464,683	\$ 989,391	\$ 727,826	\$ 418,857	\$ 255,974	\$ 6,015	\$ 7,547,886	\$ 6,706,374
Direct Revenues										
Contributions	\$ 77,750	\$ 179,120	\$ 127,473	\$ 6,450	\$ 77,600	\$ 63,114	\$ 175,228	\$ --	\$ 706,735	\$ 666,245
Donated goods and services	181,947	10,744	19,014	35,855	--	--	--	--	247,560	227,356
Special Events	75	1,083	3,616	894	--	363	--	--	6,031	63,086
United Way of Chicago	50,000	--	--	--	--	35,000	25,000	--	110,000	94,000
Fees and governmental grants	3,055,980	902,165	259,481	992,149	283,697	21,447	--	--	5,514,919	5,050,212
Other income and program fees	253,064	31,492	3,591	125,730	143,320	27,197	45,052	--	629,446	562,979
Total Direct Revenues	\$ 3,618,816	\$ 1,124,604	\$ 413,175	\$ 1,161,078	\$ 504,617	\$ 147,121	\$ 245,280	\$ --	\$ 7,214,691	\$ 6,663,878

See independent auditors' report.