

ERIE NEIGHBORHOOD HOUSE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2019

**(With Summarized Comparative Financial Information
for the Year Ended June 30, 2018)**

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, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2019, 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 2018 Summarized Comparative Financial Information

We have previously audited Erie Neighborhood House's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2018. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2018, 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 26, 2019

ERIE NEIGHBORHOOD HOUSE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019

(With Summarized Comparative Financial Information for June 30, 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,301,068	\$ 1,413,625
Investments	3,020,217	3,018,772
Accounts and pledges receivable, net	117,370	1,531,143
Due from governmental agencies, net	558,424	839,187
Prepaid expenses	38,249	48,675
Property and equipment, net	<u>4,600,647</u>	<u>1,462,239</u>
Total Assets	<u>\$ 9,635,975</u>	<u>\$ 8,313,641</u>
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ 654,309	\$ 553,500
Accounts payable	142,384	136,153
Accrued expenses	150,895	191,747
Advances refundable	<u>310,564</u>	<u>301,180</u>
Total Liabilities	<u>1,258,152</u>	<u>1,182,580</u>
Net Assets		
Without donor restrictions	7,616,586	5,031,774
With donor restrictions	<u>761,237</u>	<u>2,099,287</u>
Total Net Assets	<u>8,377,823</u>	<u>7,131,061</u>
Total Liabilities and Net Assets	<u>\$ 9,635,975</u>	<u>\$ 8,313,641</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, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2019	2018
Revenue and Other Support				
Contributions	\$ 540,470	\$ 357,500	\$ 897,970	\$ 1,076,503
Donated goods and services	3,821,570	--	3,821,570	838,862
Special events	557,595	--	557,595	694,158
United Way of Chicago	70,000	--	70,000	120,000
Fees and grants from governmental agencies	5,867,416	--	5,867,416	5,514,921
Other income and program fees	695,775	--	695,775	632,997
Interest and dividends	114,982	--	114,982	107,059
Realized/unrealized gains	23,561	--	23,561	153,745
Miscellaneous income	1,200	--	1,200	935
Net assets released from restrictions	<u>1,695,550</u>	<u>(1,695,550)</u>	<u>--</u>	<u>--</u>
Total Revenue and Other Support	<u>13,388,119</u>	<u>(1,338,050)</u>	<u>12,050,069</u>	<u>9,139,180</u>
Expenses				
Program services	8,094,452	--	8,094,452	7,547,886
Management and general	394,996	--	394,996	836,773
Management and general - removal of pledges and construction in progress	1,612,475	--	1,612,475	--
Fundraising	<u>701,384</u>	<u>--</u>	<u>701,384</u>	<u>735,320</u>
Total Expenses	<u>10,803,307</u>	<u>--</u>	<u>10,803,307</u>	<u>9,119,979</u>
Change in Net Assets	2,584,812	(1,338,050)	1,246,762	19,201
Net Assets - Beginning	<u>5,031,774</u>	<u>2,099,287</u>	<u>7,131,061</u>	<u>7,111,860</u>
Net Assets - Ending	<u>\$ 7,616,586</u>	<u>\$ 761,237</u>	<u>\$ 8,377,823</u>	<u>\$ 7,131,061</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, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2019	2018
Salaries	\$ 4,784,807	\$ 160,752	\$ 303,084	\$ 5,248,643	\$ 5,088,347
Payroll taxes	348,104	11,873	21,397	381,374	367,281
Insurance benefits	620,557	20,349	39,682	680,588	654,768
Retirement benefits	79,826	2,169	5,120	87,115	95,011
Professional fees	238,829	35,927	65,567	340,323	421,564
Donated goods and services	434,552	34,664	22,354	491,570	707,624
Contractual services	42,013	1,616	463	44,092	51,975
Program and office supplies	257,888	2,059	1,504	261,451	218,696
Duplicating expense	73,576	4,612	4,415	82,603	62,835
Cultural events	50,834	2,169	622	53,625	45,979
Parent involvement	10,505	--	--	10,505	7,934
Food	215,056	--	--	215,056	218,287
Telephone	23,386	3,688	1,473	28,547	23,044
Postage and shipping	5,439	81	1,467	6,987	11,008
Insurance - general	46,925	663	2,431	50,019	50,631
Occupancy	293,207	54,298	15,566	363,071	362,699
Vehicle expense	4,269	750	215	5,234	3,976
Building and equipment expense	71,223	13,298	9,052	93,573	92,539
Printing and promotion	81,282	131	10,226	91,639	79,664
Meetings, conferences and travel	76,006	3,290	5,492	84,788	65,007
Software expense	128	--	--	128	1,710
Staff development	20,663	571	484	21,718	40,748
Dues and subscriptions	71,170	6,294	4,314	81,778	46,651
Bank, credit and investment fees	20,792	3,881	12,059	36,732	31,548
Internet services	17,926	3,347	959	22,232	22,060
Scholarships	37,546	--	--	37,546	30,489
Special events	16,266	2,518	165,981	184,765	192,145
Direct assistance	13,252	189	54	13,495	3,308
Interest	22,231	4,152	1,190	27,573	10,236
Depreciation and amortization	114,383	21,357	6,127	141,867	110,989
Miscellaneous	1,811	298	86	2,195	1,226
Removal of pledges and construction in progress	--	1,612,475	--	1,612,475	--
Total Expenses	<u>\$ 8,094,452</u>	<u>\$ 2,007,471</u>	<u>\$ 701,384</u>	<u>\$ 10,803,307</u>	<u>\$ 9,119,979</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, 2019

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 1,246,762	\$ 19,201
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	141,867	110,989
Unrealized and realized gains on investments	(23,561)	(153,745)
Donated property and equipment	(3,330,000)	131,238
Removal of pledges and construction in progress	1,612,475	--
Changes in operating assets and liabilities:		
Accounts and pledges receivable	131,884	(36,329)
Due from governmental agencies	280,763	(359,303)
Prepaid expenses	10,426	(26,127)
Accounts payable	6,231	14,781
Accrued expenses	(40,852)	11,655
Deferred revenue	9,384	(35,121)
Total Adjustments	(1,201,383)	(341,962)
Net Cash Provided by (Used in) Operating Activities	45,379	(322,761)
Cash Flows From Investing Activities		
Payments for acquisition of property and equipment	(444,451)	(304,728)
Purchases of investments	(3,205,419)	(479,681)
Proceeds from sales of investments	3,391,125	450,335
Net Cash Used in Investing Activities	(258,745)	(334,074)
Cash Flows From Financing Activities		
Proceeds from on line of credit, net	100,809	495,500
Pledges received for the capital campaign	--	(741)
Net Cash Provided by Financing Activities	100,809	494,759
Net Decrease in Cash and Cash Equivalents	(112,557)	(162,076)
Cash and Cash Equivalents - Beginning	1,413,625	1,575,701
Cash and Cash Equivalents - Ending	\$ 1,301,068	\$ 1,413,625

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

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 4,300 individuals, and reaches an additional 10,800 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 two categories:

Net Assets Without Donor Restrictions

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.

Net Assets With Donor Restrictions

Consist of donor-restricted contributions for specified projects as well as contributions received with time restrictions. Upon satisfaction of time or purpose restrictions, these donor restricted net assets 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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information presented about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The major changes of the ASU affecting the Organization include (a) requiring representation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions” (b) requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources, and (c) incorporating additional detail regarding reporting expenses by both nature and function.

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 \$27,573 for the year ended June 30, 2019.

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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

REVENUE RECOGNITION AND RECEIVABLES (CONTINUED)

Receivables, other than pledges receivable, of over 30 days are considered past due. Donor restricted contributions for which the restriction is satisfied in the same year as the contribution is received are accounted for as unrestricted support.

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 using 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, 2019.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

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 from a department head must be obtained to carry over unused vacation time.

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 \$3,354,905 during the year ended June 30, 2019, including donated land of \$3,330,000.

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, 2019 was \$466,665. 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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

INCOME TAXES (CONTINUED)

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 were no income tax related interest or penalties during the year ended June 30, 2019. In addition, the Organization has taken no uncertain tax positions as of June 30, 2019. 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.

FUNCTIONAL EXPENSES

The statement of functional expenses presents the expenses by function and natural classification. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. Certain categories of expenses are attributed to one or more program or supporting function of the Organization, which were allocated based on estimates of time and effort done on a yearly basis.

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, 2018, from which the summarized information was derived.

SUBSEQUENT EVENTS

The Organization evaluated all significant events or transactions through December 26, 2019, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - INVESTMENTS

Investments at June 30, 2019 are summarized as follows:

	Cost	Market Value	Accumulated Unrealized Gain
Mutual funds	\$2,873,234	\$2,998,952	\$125,718
Money market	<u>21,265</u>	<u>21,256</u>	<u>--</u>
Total	<u>\$2,894,499</u>	<u>\$3,020,217</u>	<u>\$125,718</u>

Investment income consisted of the following for the year ended June 30, 2019:

Interest and dividends	\$114,982
Realized gains and unrealized losses, net	<u>23,561</u>
Total	<u>\$138,543</u>

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. The state of Illinois was to provide a grant for this project. The funding for this grant was suspended indefinitely by the state in a prior year. As such, the Organization has assessed the pledges raised for the capital campaign and determined that those pledges receivable are no longer collectible. Therefore, the Organization wrote those balances off and recognized a write-off of \$1,281,889. In addition, the related construction in progress for the project totaling \$330,586 was written-off. The Organization has determined that the remaining pledges receivable raised during the current year are collectible and no allowance is necessary.

Accounts and pledges receivable consist of the following as of June 30, 2019:

Pledges receivable due in one year or less	\$116,620
Miscellaneous receivables	<u>750</u>
Total Accounts and Pledges Receivable	<u>\$117,370</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, management has estimated an allowance of \$28,080.

Vouchers submitted for covered expenses, services and advances and other government grants receivable are as follows at June 30, 2019:

City of Chicago Department of Health	\$ 12,086
City of Chicago Department of Planning and Development	1,285
Chicago Housing Urban Development	56,587
Chinese Mutual Aid Association	4,001
Department of Children and Family Services	3,632
Department of Family Support Services	78,341
Illinois Department of Commerce & Economic Opportunity	6,070
Illinois Criminal Justice Information Authority	33,839
Illinois Department of Human Services	229,794
Illinois Board of Education	21,472
The Resurrection Project	10,228
Chicago Public Schools, Board of Education	125,255
Enlace Chicago	<u>3,914</u>
Due From Governmental Agencies	586,504
Less: allowance for uncollectible agency receivables	<u>(28,080)</u>
Due From Governmental Agencies, Net	<u>\$558,424</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

Land	\$3,420,860
Property held for development (see Note 6)	100,000
Building	615,090
Building and leasehold improvements	1,131,047
Furniture and equipment	123,866
Software	143,611
Vehicles	<u>70,345</u>
Total Cost	5,604,819
Less: accumulated depreciation	<u>(1,004,172)</u>
Property and Equipment, Net	<u>\$4,600,647</u>

Depreciation and amortization expense for the year ended June 30, 2019 amounted to \$141,867.

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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects certain of The Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are classified as assets held in perpetual trust.

Cash and cash equivalents	\$1,301,068
Investment	3,020,217
Receivables	<u>675,794</u>
Financial Assets at Year-End	4,997,079
Less: those unavailable for general expenditure within one year, due to donor restricted investment	<u>(500,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$4,497,079</u>

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Organization has a \$2,000,000 line of credit available, of which \$654,309 is outstanding as of June 30, 2019 (See Note 8).

NOTE 8 - LINE OF CREDIT

On November 16, 2018, the Organization entered into a line of credit agreement with a bank with maximum limit of \$2,000,000 and an interest rate of the sum of the overnight London Inter-Bank Offered Rate (LIBOR) of 2.36% as of June 30, 2019 plus 1.75%. The expiration date is November 15, 2019. The outstanding balance on the line of credit is \$654,309 as of June 30, 2019. Collateral on this line of credit is substantially all assets of the Organization, including cash, receivables, properties and investments.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - RESTRICTIONS ON NET ASSETS

The net assets with donor restrictions consist of donor-restricted contributions for specified projects as well as contributions received with time restrictions. The net assets with donor restrictions consist of the following at June 30, 2019:

Foundation and Non-Profit Grants:	
Michael Reese Health Trust – Proyecto Cuidate Grant	\$ 30,000
Healthy Communities ADL – Proyecto Cuidate grant	37,500
Robert McCormick ADL Reads	37,500
CCT - Immigration Funders Collaboration	13,750
Unidos Comcast – Citizenship	26,500
Unidos Comcast – YOU	34,500
Capital and Campaign Funding:	
Individual and Board Contributions	81,487
Investments with donor restrictions	<u>500,000</u>
Total Net Assets with Donor Restrictions	<u>\$761,237</u>

Foundation and non-profit grants were received during the year ended June 30, 2019 to be expended in subsequent periods. Investments in the amount of \$500,000 are restricted as of June 30, 2019. The earnings on the assets of this fund may be used to fund operations.

Net assets were released from restrictions for the following during the year ended June 30, 2019:

Program services	<u>\$1,695,050</u>
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NOTE 10 - CONTRIBUTIONS

Contributions were received from the following sources during the year ended June 30, 2019:

Individuals	\$ 79,775
Foundations, corporations and trusts	812,748
Congregations	<u>5,447</u>
Total Contributions	<u>\$897,970</u>

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - CONCENTRATIONS

The Organization received approximately 17% 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 12 - 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, 2019, was \$87,115.

NOTE 13 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Organization received donations of \$111,345 from members of management and the board of directors.

NOTE 14 - 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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

The asset 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. There have been no changes in methodologies for the year ended June 30, 2019.

Investments in mutual funds are accounted for at fair value on a recurring basis, and are accounted for as level 1 inputs.

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. There have been no transfers between the levels during the year ended June 30, 2019.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements recorded on a recurring basis at June 30, 2019 were as follows:

Description	Fair Value Measurements at Reporting Date Using			
	Fair Values as of June 30, 2019	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Fixed income funds	\$1,068,555	\$1,068,555	\$ --	\$ --
Equity securities	21,265	21,265	--	--
Money market	<u>1,930,397</u>	<u>1,930,397</u>	--	--
Totals	<u><u>\$3,020,217</u></u>	<u><u>\$3,020,217</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

NOTE 15 - 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, 2019 was \$55,130. Future minimum payments are as follows:

For the Years Ending June 30,	Amount
2020	<u>\$27,047</u>
Total	<u><u>\$27,047</u></u>

The Organization also conducts operations at a location formerly owned by the Presbytery of Chicago during the year, the land and building were donated to the Organization. The fair value at the date of the donation was \$3,330,000. This entire value was allocated to land in accordance with the appraisal.

NOTE 16 - 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.

ERIE NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 17 - 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 restored back to \$125,000 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, 2019.

NOTE 18 - UNION

In May of 2018, the employees of the Organization voted in favor for the formation of a union. Management and the union have reached tentative agreements on the non-economic portion of the contract and are in the process of negotiating the economic portion of the contract. Both parties are hopeful to have a final contract by June 30, 2020.

ERIE NEIGHBORHOOD HOUSE
SUMMARY SCHEDULE OF PROGRAM EXPENSES AND DIRECT REVENUES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

	Child	Adult	YOU	School Age	Citizenship and	Workforce	Health and	Total	
	Care	Program		Program	Immigration	Development	Leadership	2019	2018
Program Expenses									
Salaries	\$ 2,130,120	\$ 913,098	\$ 268,894	\$ 554,270	\$ 506,653	\$ 220,763	\$ 191,009	\$ 4,784,807	\$ 3,782,572
Payroll taxes	152,827	67,133	19,895	41,033	36,612	16,295	14,309	348,104	275,152
Insurance benefits	275,211	118,545	35,179	71,950	66,150	28,904	24,618	620,557	501,556
Retirement benefits	35,433	15,221	4,523	9,272	8,488	3,712	3,177	79,826	70,602
Professional fees	85,600	63,811	10,952	22,206	24,633	13,863	17,764	238,829	52,730
Donated goods and services	265,584	53,797	24,682	54,881	19,800	8,538	7,270	434,552	247,560
Contractual services	5,208	18,941	2,735	13,469	923	398	339	42,013	44,744
Program and office supplies	137,444	55,189	19,275	21,746	4,339	5,575	14,320	257,888	194,540
Duplicating expense	23,642	22,766	2,111	3,712	11,648	4,403	5,294	73,576	48,273
Cultural events	5,165	9,779	5,324	28,286	1,240	585	455	50,834	35,968
Parent involvement	10,505	--	--	--	--	--	--	10,505	7,934
Food	147,269	4,492	7,317	48,221	--	558	7,199	215,056	218,154
Telephone	9,417	6,179	1,136	2,828	2,128	917	781	23,386	1,572
Postage and shipping	218	208	30	77	4,807	82	17	5,439	8,437
Insurance - general	20,175	8,715	2,585	5,234	6,350	2,088	1,778	46,925	--
Occupancy	129,183	55,803	16,552	35,899	31,013	13,371	11,386	293,207	13,105
Vehicle expense	1,785	956	295	463	428	185	157	4,269	--
Building and equipment expense	31,638	13,666	4,054	8,208	7,594	3,275	2,788	71,223	2,510
Printing and promotion	491	78,033	1,628	202	378	523	27	81,282	67,159
Meetings, conferences and travel	13,027	22,354	3,140	11,788	14,724	3,605	7,368	76,006	43,556
Software expense	--	--	128	--	--	--	--	128	1,710
Staff development	6,637	6,273	570	1,849	3,744	141	1,449	20,663	32,168
Dues and subscriptions	16,319	8,462	2,474	5,205	35,300	1,550	1,860	71,170	30,644
Scholarships	--	--	37,546	--	--	--	--	37,546	30,489
Special events	7,181	3,102	1,020	1,863	1,724	743	633	16,266	450
Direct assistance	551	5,752	57	116	107	6,630	39	13,252	2,058
Miscellaneous	716	508	92	186	172	74	63	1,811	260
Allocation of supporting services	--	--	--	--	--	--	--	--	1,833,983
Total Program Expenses	\$ 3,589,230	\$ 1,586,427	\$ 482,170	\$ 963,170	\$ 807,650	\$ 344,841	\$ 320,964	\$ 8,094,452	\$ 7,547,886
Direct Revenues									
Contributions	\$ 20,000	\$ 224,639	\$ 154,072	\$ 2,150	\$ 118,796	\$ 80,250	\$ 153,050	\$ 752,957	\$ 706,735
Donated goods and services	183,106	18,169	14,114	33,483	--	--	--	248,872	247,560
Special Events	--	7,300	3,214	700	100	217	--	11,531	6,031
United Way of Chicago	--	--	--	--	--	34,167	23,754	57,921	110,000
Fees and governmental grants	3,253,203	1,006,544	219,900	958,420	326,868	117,543	--	5,882,478	5,514,919
Other income and program fees	239,874	33,159	9,726	99,355	180,426	9,683	55,734	627,957	629,446
Total Direct Revenues	\$ 3,696,183	\$ 1,289,811	\$ 401,026	\$ 1,094,108	\$ 626,190	\$ 241,860	\$ 232,538	\$ 7,581,716	\$ 7,214,691

See independent auditors' report.