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**CHILDREN'S HOME AND AID SOCIETY
OF ILLINOIS AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting



**CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Children's Home and Aid Society of Illinois and Affiliates
Chicago, Illinois

We have audited the accompanying consolidated financial statements of Children's Home and Aid Society of Illinois and Affiliates (Agency), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend upon the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Trustees
Children's Home and Aid Society of
Illinois and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Significant Estimates

As discussed in Note 4, the consolidated financial statements include certain investments valued at \$2,829,124 and \$3,022,152 as of June 30, 2015 and 2014, respectively. Valuation of these investments is based either upon information provided by fund managers or on the net asset value of shares held utilizing various pricing techniques. Because of the inherent uncertainty of these valuation techniques, those estimated values may differ significantly from the values that would have been used had readily determinable fair values existed for the investments, and the differences could be material. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 16, 2015

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

ASSETS	2015	2014
Cash and Cash Equivalents	\$ 4,831,433	\$ 1,874,128
Accounts Receivable, Net of Allowance for Doubtful Accounts \$154,225 and \$150,000 in 2015 and 2014, Respectively	5,083,307	5,969,777
Pledges Receivable	2,143,873	1,099,863
Prepaid Expenses and Other Assets	514,060	582,022
Other Investment	935,000	1,000,000
Board-Designated Assets for Investment and Deferred Compensation Plan	18,995,853	17,845,703
Donor-Restricted Cash and Investments	5,182,000	5,494,000
Beneficial Interest in Trusts	4,872,031	5,043,599
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	24,437,030	18,754,358
Total Assets	\$ 66,994,587	\$ 57,663,450
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,786,772	\$ 2,561,795
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	3,859,365	3,986,754
Deferred Compensation	481,515	406,909
Deferred Revenue	1,041,551	1,065,841
Capital Lease Obligation	128,228	240,353
Construction Credit Facility	4,953,961	390,500
Long-Term Debt	1,137,453	1,218,700
Total Liabilities	14,388,845	9,870,852
NET ASSETS		
Unrestricted	35,157,798	33,619,453
Temporarily Restricted	9,927,183	6,492,137
Permanently Restricted	7,520,761	7,681,008
Total Net Assets	52,605,742	47,792,598
Total Liabilities and Net Assets	\$ 66,994,587	\$ 57,663,450

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 3,898,377	\$ 669,682	\$ -	\$ 4,568,059
Foundations and Trusts	681,633	-	-	681,633
Contributions from Associated Fundraising Organizations	1,025,769	-	-	1,025,769
Fees and Grants from Governmental Agencies for Services Rendered to Clients	57,421,637	-	-	57,421,637
Program Service Fees	1,284,090	-	-	1,284,090
Investment Income	194,867	83,645	-	278,512
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	1,678,442	(891,174)	-	787,268
Miscellaneous	121,483	-	-	121,483
Total Revenues and Other Support	<u>66,306,298</u>	<u>(137,847)</u>	<u>-</u>	<u>66,168,451</u>
EXPENSES				
Total Program Services	54,579,146	-	-	54,579,146
Supporting Services:				
Management and General	7,948,172	-	-	7,948,172
Fundraising	1,843,176	-	-	1,843,176
Total Expenses	<u>64,370,494</u>	<u>-</u>	<u>-</u>	<u>64,370,494</u>
Income (Loss) from Operations	<u>1,935,804</u>	<u>(137,847)</u>	<u>-</u>	<u>1,797,957</u>
COMPREHENSIVE FUNDRAISING				
CAMPAIGN REVENUE				
General Public, Corporate, and Foundation Support	-	4,532,206	11,321	4,543,527
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	<u>-</u>	<u>(787,268)</u>	<u>-</u>	<u>(787,268)</u>
Total Comprehensive Fundraising Campaign Revenue	<u>-</u>	<u>3,744,938</u>	<u>11,321</u>	<u>3,756,259</u>
NON-OPERATING GAINS				
Net Realized and Unrealized Losses on Investments	<u>(397,459)</u>	<u>(172,045)</u>	<u>(171,568)</u>	<u>(741,072)</u>
CHANGE IN NET ASSETS	1,538,345	3,435,046	(160,247)	4,813,144
NET ASSETS - BEGINNING OF YEAR	<u>33,619,453</u>	<u>6,492,137</u>	<u>7,681,008</u>	<u>47,792,598</u>
NET ASSETS - END OF YEAR	<u>\$35,157,798</u>	<u>\$9,927,183</u>	<u>\$7,520,761</u>	<u>\$52,605,742</u>

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 4,226,536	\$ 777,719	\$ 39,064	\$ 5,043,319
Foundations and Trusts	803,227	-	-	803,227
Contributions from Associated Fundraising Organizations	1,159,105	-	-	1,159,105
Fees and Grants from Governmental Agencies for Services Rendered to Clients	56,975,645	-	-	56,975,645
Program Service Fees	1,303,829	-	-	1,303,829
Investment Income	106,684	51,202	-	157,886
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	1,328,902	(703,440)	-	625,462
Miscellaneous	164,963	-	-	164,963
Total Revenues and Other Support	<u>66,068,891</u>	<u>125,481</u>	<u>39,064</u>	<u>66,233,436</u>
EXPENSES				
Total Program Services	56,506,611	-	-	56,506,611
Supporting Services:				
Management and General	7,760,591	-	-	7,760,591
Fundraising	2,023,322	-	-	2,023,322
Total Expenses	<u>66,290,524</u>	<u>-</u>	<u>-</u>	<u>66,290,524</u>
Income (Loss) from Operations	<u>(221,633)</u>	<u>125,481</u>	<u>39,064</u>	<u>(57,088)</u>
COMPREHENSIVE FUNDRAISING				
CAMPAIGN REVENUE				
General Public, Corporate, and Foundation Support	-	2,207,192	5,072	2,212,264
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	-	(625,462)	-	(625,462)
Total Comprehensive Fundraising Campaign Revenue	<u>-</u>	<u>1,581,730</u>	<u>5,072</u>	<u>1,586,802</u>
NON-OPERATING GAINS (LOSSES)				
Net Realized and Unrealized Losses on Investments	2,358,920	657,146	486,177	3,502,243
CHANGE IN NET ASSETS	2,137,287	2,364,357	530,313	5,031,957
NET ASSETS - BEGINNING OF YEAR	<u>31,482,166</u>	<u>4,127,780</u>	<u>7,150,695</u>	<u>42,760,641</u>
NET ASSETS, END OF YEAR	<u><u>\$33,619,453</u></u>	<u><u>\$6,492,137</u></u>	<u><u>\$7,681,008</u></u>	<u><u>\$47,792,598</u></u>

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,813,144	\$ 5,031,957
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,358,142	1,335,472
Deferred Compensation	103,064	131,909
Provision for Bad Debts	-	166,732
Permanently Restricted Contributions	(11,321)	(44,136)
Net Realized and Unrealized (Gains) Losses on Permanently and Temporarily Restricted Net Assets	343,613	(1,143,323)
Net Realized and Unrealized (Gains) Losses on Assets Whose use is Limited or Restricted, Excluding Investments of Permanently and Temporarily Restricted Net Assets	397,459	(2,358,920)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	886,469	(557,797)
Interest receivable	-	-
Pledges Receivable	(1,044,009)	(523,247)
Prepaid Expenses and Other Assets	67,962	(162,395)
Accounts Payable and Accrued Expenses	224,977	(337,071)
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	(155,847)	322,522
Other liabilities	(24,290)	(639,244)
Net Cash Provided by Operating Activities	6,959,363	1,222,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Buildings, Equipment, and Leasehold Improvements	(2,477,349)	(2,320,320)
Purchases of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	(8,277,337)	(12,891,427)
Sales and Maturities of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	6,934,679	12,101,849
Net Cash Used by Investing Activities	(3,820,007)	(3,109,898)

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Investment in Endowment	11,321	44,136
Repayment of Long-Term Debt	(81,247)	(76,623)
Payments on Capital Lease Obligation	(112,125)	(105,431)
Net Cash Used by Financing Activities	(182,051)	(137,918)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,957,305	(2,025,357)
Cash and Cash Equivalents - Beginning of Year	1,874,128	3,899,485
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,831,433	\$ 1,874,128
 SUPPLEMENTARY DISCLOSURES		
Schedule of Non-Cash Investing and Financing Transactions:		
Investing:		
Total Capital Acquisitions	\$ 7,040,810	\$ 2,710,820
Less Amount of Borrowings on Construction Line of Credit	(4,563,461)	(390,500)
Cash paid for capital acquisitions	\$ 2,477,349	\$ 2,320,320
Financing:		
Line of Credit Borrowing Used to Finance Construction	\$ 4,172,961	\$ 390,500
CASH PAID FOR INTEREST	\$ 100,453	\$ 122,716

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services						
	Adoption	Counseling	Child Care	Child Care Resource and Referral	Foster Care	Intact Family Services	Parental Support
Salaries	\$ 44,526	\$ 2,681,938	\$ 5,284,311	\$ 1,451,311	\$ 7,996,346	\$ 2,050,660	\$ 1,424,554
Employee Health and Retirement Benefits	8,875	507,461	987,639	271,791	1,493,286	391,116	264,946
Payroll Taxes	3,272	194,621	377,569	103,308	571,089	143,768	99,822
Total Salaries and Related Expenses	56,673	3,384,020	6,649,519	1,826,410	10,060,721	2,585,544	1,789,322
Professional Fees	597	51,129	309,815	321,930	669,167	228,511	82,993
Supplies	492	42,818	657,101	85,080	127,557	26,627	90,769
Telephone	5,377	86,428	162,375	50,027	298,463	110,588	51,961
Postage and Shipping	126	5,635	2,675	29,117	21,610	4,103	2,009
Occupancy	3,059	305,424	465,242	170,254	848,947	183,602	75,407
Outside Printing	76	2,920	10,620	29,209	8,178	1,249	12,191
Local Transportation	2,174	160,860	47,798	24,319	911,615	230,848	59,845
Conferences and Meetings	135	10,363	45,385	26,054	36,903	5,056	23,772
Subscriptions and Reference	-	-	254	828	799	41	405
Specific Assistance	353	49,127	31,766	5,799	7,243,731	80,305	43,910
Membership Dues	-	200	3,182	1,549	909	9	9,016
Repairs, Maintenance, and Rental	263	17,875	33,339	11,381	65,052	18,888	8,171
Miscellaneous	460	18,734	50,557	9,616	73,508	14,307	21,643
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	69,785	4,135,533	8,469,628	2,591,573	20,367,160	3,489,678	2,271,414
Depreciation and Amortization	407	49,225	430,191	17,474	258,703	53,189	56,631
Interest and Financing Fees	37	2,843	3,653	2,067	8,843	2,452	1,505
TOTAL FUNCTIONAL EXPENSES	\$ 70,229	\$ 4,187,601	\$ 8,903,472	\$ 2,611,114	\$ 20,634,706	\$ 3,545,319	\$ 2,329,550

See accompanying Notes to Consolidated Financial Statements.

	Program Services (continued)				Supporting Services			Totals
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,363,783	\$ 2,770,860	\$ 584,746	\$ 27,653,035	\$ 4,223,286	\$ 945,416	\$ 5,168,702	\$ 32,821,737
Employee Health and Retirement Benefits	548,854	517,986	110,127	5,102,081	740,519	185,043	925,562	6,027,643
Payroll Taxes	241,430	201,625	42,838	1,979,342	278,646	69,547	348,193	2,327,535
Total Salaries and Related Expenses	4,154,067	3,490,471	737,711	34,734,458	5,242,451	1,200,006	6,442,457	41,176,915
Professional Fees	254,969	1,267,993	4,981	3,192,085	1,209,048	186,169	1,395,217	4,587,302
Supplies	372,969	76,513	37,850	1,517,776	111,656	25,482	137,138	1,654,914
Telephone	41,828	106,801	29,639	943,487	113,083	1,998	115,081	1,058,568
Postage and Shipping	1,023	7,786	3,564	77,648	20,456	12,870	33,326	110,974
Occupancy	248,664	222,226	30,444	2,553,269	663,423	6,140	669,563	3,222,832
Outside Printing	772	4,471	8,210	77,896	16,395	58,647	75,042	152,938
Local Transportation	60,726	180,550	13,572	1,692,307	105,404	13,367	118,771	1,811,078
Conferences and Meetings	12,038	40,227	18,966	218,899	84,218	103,385	187,603	406,502
Subscriptions and Reference	-	1,084	100	3,511	4,781	5,112	9,893	13,404
Specific Assistance	78,306	208,253	11,787	7,753,337	1,488	1,153	2,641	7,755,978
Membership Dues	2,483	766	2,986	21,100	72,468	3,425	75,893	96,993
Repairs, Maintenance, and Rental	55,983	13,130	2,930	227,012	20,814	-	20,814	247,826
Miscellaneous	37,125	33,349	15,409	274,708	116,566	224,401	340,967	615,675
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	5,320,953	5,653,620	918,149	53,287,493	7,782,251	1,842,155	9,624,406	62,911,899
Depreciation and Amortization	317,728	76,600	5,194	1,265,342	91,928	872	92,800	1,358,142
Interest and Financing Fees	1,647	2,861	403	26,311	73,993	149	74,142	100,453
TOTAL FUNCTIONAL EXPENSES	\$ 5,640,328	\$ 5,733,081	\$ 923,746	\$ 54,579,146	\$ 7,948,172	\$ 1,843,176	\$ 9,791,348	\$ 64,370,494

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services							
				Child Care Resource			Intact Family	Parental Support
	Adoption	Counseling	Child Care	and Referral	Foster Care	Services		
Salaries	\$ 61,519	\$ 3,006,141	\$ 5,297,207	\$ 1,562,400	\$ 8,357,333	\$ 2,296,941	\$ 1,367,923	
Employee Health and Retirement Benefits	10,087	497,325	879,173	257,371	1,390,596	380,930	226,900	
Payroll Taxes	4,254	217,599	376,442	111,275	599,294	163,866	96,843	
Total Salaries and Related Expenses	<u>75,860</u>	<u>3,721,065</u>	<u>6,552,822</u>	<u>1,931,046</u>	<u>10,347,223</u>	<u>2,841,737</u>	<u>1,691,666</u>	
Professional Fees	378	40,263	182,680	303,347	640,092	414,490	261,462	
Supplies	818	38,577	584,557	90,214	108,776	49,389	77,307	
Telephone	6,059	103,322	187,374	52,433	371,411	128,916	55,913	
Postage and Shipping	167	6,168	3,103	24,206	22,689	5,627	2,455	
Occupancy	3,621	304,088	468,954	168,123	851,715	158,591	78,158	
Outside Printing	49	3,060	6,699	17,121	8,991	4,349	4,169	
Local Transportation	2,729	191,589	42,790	28,232	895,321	232,164	48,713	
Conferences and Meetings	-	6,943	23,969	36,881	44,870	14,673	18,572	
Subscriptions and Reference	-	34	452	941	310	869	554	
Specific Assistance	451	29,479	25,590	6,773	7,370,062	105,454	44,975	
Membership Dues	-	215	4,912	1,779	752	42	4,424	
Repairs, Maintenance, and Rental	246	18,569	25,192	9,854	57,923	19,598	8,432	
Miscellaneous	444	19,974	38,985	9,205	78,139	15,859	9,777	
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	<u>90,822</u>	<u>4,483,346</u>	<u>8,148,079</u>	<u>2,680,155</u>	<u>20,798,274</u>	<u>3,991,758</u>	<u>2,306,577</u>	
Depreciation and Amortization	492	51,754	427,147	18,090	261,796	51,865	50,940	
Interest and Financing Fees	41	4,527	4,984	3,381	13,627	3,953	2,002	
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 91,355</u></u>	<u><u>\$ 4,539,627</u></u>	<u><u>\$ 8,580,210</u></u>	<u><u>\$ 2,701,626</u></u>	<u><u>\$ 21,073,697</u></u>	<u><u>\$ 4,047,576</u></u>	<u><u>\$ 2,359,519</u></u>	

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services (continued)				Supporting Services			Totals
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,371,286	\$ 3,210,287	\$ 598,249	\$ 29,129,286	\$ 4,161,840	\$ 1,072,933	\$ 5,234,773	\$ 34,364,059
Employee Health and Retirement Benefits	510,310	543,803	100,756	4,797,251	683,840	172,662	856,502	5,653,753
Payroll Taxes	241,344	232,642	44,358	2,087,917	269,802	69,630	339,432	2,427,349
Total Salaries and Related Expenses	4,122,940	3,986,732	743,363	36,014,454	5,115,482	1,315,225	6,430,707	42,445,161
Professional Fees	176,727	1,554,867	3,217	3,577,523	969,493	193,010	1,162,503	4,740,026
Supplies	392,689	87,283	26,349	1,455,959	165,466	7,624	173,090	1,629,049
Telephone	45,469	134,414	22,485	1,107,796	139,744	3,502	143,246	1,251,042
Postage and Shipping	1,108	6,321	729	72,573	26,179	13,704	39,883	112,456
Occupancy	242,180	234,412	35,427	2,545,269	563,405	7,197	570,602	3,115,871
Outside Printing	1,348	4,463	1,196	51,445	27,430	96,044	123,474	174,919
Local Transportation	61,174	203,287	12,359	1,718,358	92,188	14,991	107,179	1,825,537
Conferences and Meetings	22,463	46,825	13,540	228,736	100,263	117,941	218,204	446,940
Subscriptions and Reference	31	571	460	4,222	2,932	937	3,869	8,091
Specific Assistance	71,802	292,823	6,931	7,954,340	5,074	3,523	8,597	7,962,937
Membership Dues	1,515	164	1,286	15,089	64,184	3,075	67,259	82,348
Repairs, Maintenance, and Rental	67,879	16,311	3,020	227,024	24,539	4,649	29,188	256,212
Miscellaneous	25,307	35,402	20,362	253,454	288,053	240,240	528,293	781,747
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	5,232,632	6,603,875	890,724	55,226,242	7,584,432	2,021,662	9,606,094	64,832,336
Depreciation and Amortization	315,935	56,749	4,840	1,239,608	94,492	1,372	95,864	1,335,472
Interest and Financing Fees	2,775	4,565	906	40,761	81,667	288	81,955	122,716
TOTAL FUNCTIONAL EXPENSES	\$ 5,551,342	\$ 6,665,189	\$ 896,470	\$ 56,506,611	\$ 7,760,591	\$ 2,023,322	\$ 9,783,913	\$ 66,290,524

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Children's Home and Aid Society of Illinois (Society), an Illinois nonprofit corporation, is a social service organization serving families throughout the state of Illinois. The Society provides adoption, foster care, residential care, child care, and child and family counseling and related services. A description of affiliated organizations follows:

- Children's Home and Aid Society Foundation (Foundation), an Illinois nonprofit corporation of which the Society is the sole corporate member, oversees investments of the Society and its affiliated organization.
- Morgan-Washington Home, Inc., an Illinois nonprofit corporation of which the Society is the sole corporate member, is operated exclusively for the benefit of the Society and provides oversight direction and administration of the John M. Scott Industrial Trust.
- The Youth Campus (TYC) was an Illinois nonprofit corporation of which the Society became the sole member on August 1, 2012. TYC was formally dissolved on June 30, 2015, and its remaining assets and liabilities combined with those of the Society as of that date.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and its wholly owned and controlled affiliates (the "Agency"). All significant transactions among these corporations have been eliminated in consolidation.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated 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.

Consolidated Financial Statement Presentation

The Agency prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a Consolidated Statement of Cash Flows.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Agency follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, *Not-For-Profit Entities - Presentation of Financial Statements*. Under ASC No. 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets defined as follows:

Unrestricted Net Assets – Those resources over which the board of directors (board) has discretionary control.

Temporarily Restricted Net Assets – Those resources subject to donor-imposed stipulations that may be fulfilled by actions of the board of directors to meet the stipulations, or become unrestricted at the date specified by the donor. When a donor or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as “Net assets released from restrictions”.

Permanently Restricted Net Assets – Those resources subject to donor-imposed stipulations that they be maintained permanently by the Agency.

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting.

Comprehensive Fundraising Campaign

During the fiscal year ended June 30, 2013, the Agency embarked on a comprehensive fundraising campaign to raise funds for facility, endowment, and program sustainability and innovation. The campaign is in its “silent” phase and thus, the total goal for the campaign has not been finalized. As the campaign moves into the “public phase”, the Agency will provide appropriate public communication regarding the goal and uses of funds.

Revenues and Other Support

Revenue transactions deemed by management to be ongoing, major, or central to the provision of social services are included in revenues and other support on the Consolidated Statements of Activities and Changes in Net Assets. Transactions incidental to the provision of social services are reported as non-operating gains and losses.

The Agency receives contributions through pledges, bequests, beneficial interests in trusts, and outright gifts of cash and property. Contributions are classified as unrestricted, temporarily restricted, or permanently restricted based on donor direction.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Other Support (Continued)

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, as appropriate. When a temporary restriction expires, the related net assets are reclassified to unrestricted net assets. Investment income and realized and unrealized gains and losses resulting from contributions are reported as unrestricted, temporarily restricted, or permanently restricted net assets, as directed by the donor.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets and the Consolidated Statements of Functional Expenses.

Cash Equivalents

The Agency considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. However, all cash and investments whose use is limited by the board of trustees (board) or restricted by donors are considered long-term investments.

At times, the amounts in these accounts may exceed federally insured limits. However, the Agency has not experienced any losses on these accounts and does not believe it is exposed to significant risk.

Investments

The Agency accounts for investments in accordance with accounting principles generally accepted in the United States of America, which requires investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value. Investment income (comprised of interest and dividends) is included in revenues and other support. Realized and unrealized gains and losses on investments are reported in the Consolidated Statements of Activities and Changes in Net Assets as non-operating gains and losses.

Board-designated assets include investments set aside by the board for the deferred compensation plan and other purposes. The board retains discretionary control over these investments.

Accounts Receivable

Accounts receivable are primarily uncollateralized governmental obligations stated at the invoice amounts that generally are payable within 30 days from the billing date.

Payments of accounts receivable are applied to the specific invoices identified on the funding source's remittance advice or, if unspecified, to the earliest unpaid invoices.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (continued)

Accounts receivable is reduced by a valuation allowance that reflects management's best assessment of the collectability of specific funding source accounts based on specific information, the aging of specific accounts, and historical experience. If actual amounts collected are lower than management's estimates thereof, the Agency's financial results could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Pledges Receivable

Unconditional pledges to give cash and property are reported at fair value at the date the pledge is received.

Any amounts that are known to be uncollectible are written off and thus, a provision has not been made for potentially uncollectible amounts as of June 30, 2015 and 2014, based on management's assessment of the specific promises to give and the aging thereof.

Land, Buildings, Equipment, and Leasehold Improvements

Land, buildings, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and Improvements	5-39
Office Furniture and Equipment	5-15
Automobiles	5
Leasehold Improvements	4-10

Long-Lived Assets

The Agency evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Agency evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

**CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Trusts

Beneficial interest in trusts represents the fair value of the portion of trusts for which the Agency is beneficiary in perpetuity and is permanently restricted. The trusts, which are all administered by bank trustees, are comprised primarily of farm land and equity or fixed-income securities. Fair value of equity and fixed-income securities is based primarily on quoted market prices. Fair value for farm land is based on periodic independent appraisals. Realized and unrealized gains and losses on the beneficial interest in trusts are recorded to permanently restricted net assets in the Consolidated Statements of Activities and Changes in Net Assets.

Income Taxes

All entities included in the Agency are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code. The entities qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1).

The Agency evaluates its exposure for uncertain tax positions on an annual basis. As of June 30, 2015 and 2014, there were no liabilities for uncertain tax positions.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist of pledges that are expected to be collected during the following fiscal years:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$ 862,299
2017	514,600
2018	342,730
2019	176,300
2020	175,000
Thereafter	150,000
Total Pledges Receivable	2,220,929
Less Discount to Net Present Value	(77,056)
Total	\$ 2,143,873

The discount rate used for the years ended June 30, 2015 and 2014, was 3%.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3 INVESTMENTS

A summary of the composition of the Agency's investments follows:

	<u>2015</u>	<u>2014</u>
Fixed Income Mutual Funds	\$ 4,846,106	\$ 4,491,104
Equity Securities, Mutual Funds, Exchange Traded Funds, Other Funds and Partnerships	16,382,427	14,570,668
Alternative Assets	-	1,104,570
Non-Public Pooled Investments	2,829,124	3,022,152
Cash Equivalents and Money Market Funds	120,196	151,209
Beneficial Interest in Trusts	4,872,031	5,043,599
Other Investment	935,000	1,000,000
Total	<u>\$ 29,984,884</u>	<u>\$ 29,383,302</u>

Included in equity securities and mutual funds above is the Portfolio Advisors Private Equity Fund IV, L.P., the Common Sense Investors II, L.P., the Common Sense Partners II, L.P., and the Cyrus Opportunities Fund II Ltd. These funds are non-public, pooled investments that are not registered as investment companies with the U.S. Securities and Exchange Commission. They are considered speculative with a higher degree of risk and potential volatile performance than the Agency's other investments. The estimated market value of these funds is determined by the funds' custodians, as quoted market prices are not available. The Agency has invested \$1,142,259 (\$1,400,000 total commitment) in the Portfolio Advisors Private Equity Fund IV, L.P., as of June 30, 2015 and 2014. The market value for this fund was estimated at \$815,638 and \$988,935 at June 30, 2015 and 2014, respectively. The Agency has redeemed \$42,544 and \$74,450 in the Common Sense limited partnerships as of June 30, 2015 and 2014, respectively. The market value of these funds was \$0 and \$42,544 as of June 30, 2015 and 2014, respectively. The Agency liquidated its position in the Common Sense investment and reinvested the proceeds in a mutual fund. The Agency has invested \$1,000,000 in the Cyrus Opportunities Fund II Ltd. as of June 30, 2015 and 2014. The market value for this fund was estimated at \$2,013,486 and \$1,990,673 as of June 30, 2015 and 2014, respectively.

The other investment is donated stock representing an approximate 1% stake in a closely held bank. The fair value at the time of the donation was determined by comparing the number of shares donated to the Agency to the current stock transactions disclosed in the bank's financial statements. The Agency intends to liquidate the stock within the next three years, the proceeds of which are restricted for use in the comprehensive fundraising programs. During the year ended June 30, 2015, the Agency liquidated 3,000 shares of the stock at a price of \$55 per share.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3 INVESTMENTS (continued)

The composition of investment return on the Agency's investment portfolio for the years ended June 30, 2015 and 2014, is as follows:

	2015	2014
Interest and Dividend Income	\$ 278,512	\$ 157,886
Net Realized Gains on Sales	483,294	939,286
Net Unrealized Gains (Losses)	(1,224,366)	2,562,957
Total	\$ (462,560)	\$ 3,660,129

Investment fees incurred were \$55,030 and \$96,434 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 FAIR VALUE MEASUREMENTS

In determining fair value, the Agency uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The fair values of assets and liabilities measured on a recurring basis at June 30, 2015, are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equities:				
U.S. Mutual Funds	\$ 8,359,057	\$ 8,359,057	\$ -	\$ -
International Mutual Funds	5,544,466	5,544,466	-	-
Hedge Funds	2,478,904	2,478,904	-	-
Fixed Income:				
Mutual Funds	4,846,106	-	4,846,106	-
Non-Public Pooled Investments	2,829,124	-	-	2,829,124
Beneficial Interest in Trusts	4,872,031	-	4,872,031	-
Other Investment	935,000	-	-	935,000
Total Assets at Fair Value	<u>29,864,688</u>	<u>\$ 16,382,427</u>	<u>\$ 9,718,137</u>	<u>\$ 3,764,124</u>
Cash and Cash Equivalents	<u>120,196</u>			
Total Assets	<u>\$ 29,984,884</u>			

Fair value for Level 1 equities, exchange traded funds, and other funds are determined by reference to quoted market transactions. Fair value of Level 2 fixed-income securities and beneficial interest in trusts is determined by reference to quoted market transactions for assets similar to those held to support the underlying assets. Fair value for Level 3 investments, which include non-public pooled investments that are not registered as investment companies with the U.S. Securities and Exchange Commission (see Note 3 for additional information), are determined by the funds' custodians using various pricing models for the assets held in each fund.

The non-public pooled investments consist of private equity funds that invest primarily in diversified leveraged buyouts, venture capital companies, and other investment funds. The fair value of these investments has been estimated using the net asset value of the Agency's ownership interest. Currently, the Agency is not eligible to redeem the investment in one of the investments, valued at \$815,638, until the later of the termination of the partnership (December 31, 2016), or one year after all the assets of the partnership have been liquidated.

On December 1, 2010, the Agency invested \$1,000,000 in Cyrus Opportunities Fund II Ltd. One of the principals of this fund is related to a trustee of the Agency. The principal of the fund has personally guaranteed recovery of the Agency's initial investment in the fund and all fees to the fund have been waived. This guarantee has an initial term of five years ending on December 1, 2015. Under certain circumstances, this guarantee can be cancelled early.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The other investment consists of donated stock (see Note 3). The fair value of this investment was determined to be \$55 per share, the price the Agency received on the liquidation of 3,000 shares during the year ended June 30, 2015.

Gains and losses (realized and unrealized) on the investments valued using significant unobservable inputs are included in net realized and unrealized gains (losses) on investments in the accompanying Consolidated Statements of Activities and Changes in Net Assets. The change in unrealized gain relating to assets still held as of June 30, 2015 and 2014 is \$204,188 and \$560,512, respectively.

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the year ended June 30, 2015:

Investments:	
Balance - June 30, 2014	\$ 4,022,152
Sale of Investments	(462,216)
Change in Fair Value Estimate	204,188
Balance - June 30, 2015	<u>\$ 3,764,124</u>

The fair values of assets and liabilities measured on a recurring basis at June 30, 2014, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equities:				
U.S. Mutual Funds	\$ 7,062,424	\$ 7,062,424	\$ -	\$ -
International Mutual Funds	5,597,338	5,597,338	-	-
Hedge Funds	1,910,906	1,910,906	-	-
Fixed Income:				
Mutual Funds	4,491,104	-	4,491,104	-
Alternative Assets	1,104,570	1,104,570	-	-
Non-Public Pooled Investments	3,022,152	-	-	3,022,152
Beneficial Interest in Trusts	5,043,599	-	5,043,599	-
Other Investment	1,000,000	-	-	1,000,000
Total Assets at Fair Value	<u>29,232,093</u>	<u>\$ 15,675,238</u>	<u>\$ 9,534,703</u>	<u>\$ 4,022,152</u>
Cash and Cash Equivalents	151,209			
Total Assets	<u>\$ 29,383,302</u>			

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the year ended June 30, 2014:

Investments:	
Balance - June 30, 2013	\$ 4,404,007
Sale of Investments	(942,367)
Change in Fair Value Estimate	560,512
Balance - June 30, 2014	<u>\$ 4,022,152</u>

NOTE 5 LAND, BUILDINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

A summary of land, buildings, equipment, and leasehold improvements as of June 30, 2015 and 2014, follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 823,473	\$ 823,473
Buildings and Improvements	23,892,039	23,785,107
Office Furniture and Equipment	4,618,000	4,476,411
Automobiles	224,378	130,879
Leasehold Improvements	532,651	321,909
Construction in Progress	8,460,315	1,972,266
Total at Cost	<u>38,550,856</u>	<u>31,510,045</u>
Less: Allowance for Depreciation and Amortization	<u>14,113,826</u>	<u>12,755,687</u>
Total Land, Buildings, Equipment and Leasehold Improvements	<u>\$ 24,437,030</u>	<u>\$ 18,754,358</u>

During the year ended June 30, 2015, the Agency began construction of a new child and family center in Carpentersville, Illinois. This \$10,000,000 facility, which was opened in July 2015, more than doubled the Agency's early childhood learning capacity in the community. Expenditures on this facility to June 30, 2015, were \$8,407,867. Sources of funding for the facility are a \$5,000,000 grant from the state of Illinois; contributions and grants from individuals, foundations and corporations; and a construction loan.

Employee Retirement Plan

The Agency sponsors a defined contribution 401(k) plan covering all employees who have completed 12 months of service, performed 975 hours of service, and are age 21 or older. The 401(k) plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 and is a contributory plan to which the Agency may make discretionary contributions. The Agency recognized benefit expense related to the 401(k) plan of \$415,648 and \$351,344 in 2015 and 2014, respectively.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 RETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

Deferred Compensation Plan

The Agency maintains a non-qualified deferred compensation plan for certain of its executives. The Agency recognized plan expense of \$75,000 for each of the years ended June 30, 2015 and 2014. In addition, the Agency allocates appreciation or depreciation to the plan based on the investment performance of the Foundation assets. This amounted to \$394 of depreciation and \$56,909 of appreciation for the years ended June 30, 2015 and 2014, respectively.

Self-Funded Medical Plan

The Agency self-funds the claims cost of its medical plan covering those employees who elect coverage and their dependents. Under the terms of the coverage, the Agency's estimated annual claim costs are \$3.5 million subject to an annually specified maximum amount estimated at \$4.9 million. The Agency has recorded a liability of \$382,000 and \$434,000 as of June 30, 2015 and 2014 on the Consolidated Statements of Financial Position that represents management's estimate of reported and unreported medical claims incurred prior to that date. Claims incurred but not reported are expected to be insignificant. The Agency also maintains a cash reserve of \$1,005,000 and \$1,003,000 as of June 30, 2015 and 2014, respectively, to cover both the liability noted above and potential cash needs of this plan.

NOTE 7 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Included in fees and grants from governmental agencies is \$35,202,148 in 2015 and \$36,196,071 in 2014 of revenue received from the Illinois Department of Children and Family Services (DCFS). In addition, the Society received revenue of \$8,874,310 in 2015 and \$8,940,416 in 2014 from the Illinois Department of Human Services (DHS). The amount of revenue from these funding sources represents approximately 64% and 69% of the Agency's total operating revenue and support for each of the years ended June 30, 2015 and 2014.

As of June 30, 2015 and 2014, the Agency's gross accounts receivable includes amounts due from the DCFS and the DHS of \$3,692,525 and \$4,690,560, respectively. A summary of unrestricted governmental agency revenue received, by core service, is presented below:

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NOTE 7 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES (CONTINUED)

	<u>2015</u>	<u>2014</u>
Adoption	\$ 2,731	\$ 8,676
Counseling	2,334,837	2,324,821
Child Care	8,323,884	7,607,814
Child Care Resource and Referral	2,879,955	3,009,911
Foster Care	23,804,508	24,407,745
Intact Family Services	3,900,348	4,877,275
Parental Support	2,101,349	1,980,802
Residential Services	5,662,362	5,237,129
Youth Services	5,363,624	6,074,311
Other	3,048,039	1,447,161
Total	<u>\$ 57,421,637</u>	<u>\$ 56,975,645</u>

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable to the Illinois Facilities Fund as a fully amortized mortgage with interest at 5.875%. The loan requires monthly principal and interest payments of \$12,557, and is secured by a mortgage of the property and assignment of rents recorded against the property, maturing in July 2025.	<u>\$ 1,137,453</u>	<u>\$ 1,218,700</u>

Principal maturities of long-term debt are as follows:

<u>Years Ending June 30.</u>	<u>Amount</u>
2016	\$ 86,151
2017	91,351
2018	96,865
2019	102,711
2020	108,911
Thereafter	651,464
Total	<u>\$ 1,137,453</u>

**CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
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NOTE 9 CAPITAL LEASE OBLIGATION

During the year ended June 30, 2012, the Agency financed the purchase of new copiers totaling \$478,715 through a capital lease obligation which expires in 2016. These new copiers are included in office furniture and equipment. Accumulated depreciation for equipment under the capital lease was \$382,972 and \$287,729 at June 30, 2015 and 2014, respectively.

Future minimum lease payments under the Agency's capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	<u>\$ 139,584</u>
Total Minimum Lease Payments	139,584
Less Amounts Representing Interest	(11,356)
Present Value of Minimum Lease Payments	<u>\$ 128,228</u>

NOTE 10 CREDIT FACILITIES

The Agency has a credit facility (\$5,000,000 as of June 30, 2015 and 2014) with a commercial bank which was scheduled to expire on September 1, 2015. The credit facility was renewed on July 3, 2015 and increased to \$10,000,000. The renewal expires on October 31, 2015 with the same terms. The increase in the facility will provide the Agency with sufficient funds to operate while the State of Illinois completes its annual budget process. Amounts drawn against the facility bear interest at the commercial bank's prime interest rate less 0.5% (3.25% and 3.25% at June 30, 2015 and 2014, respectively). At June 30, 2015 and 2014, there were no outstanding balances under this credit facility. The facility contains certain restrictive covenants related to financial performance and debt limitations. It is secured by cash and investments with a market value of approximately \$21,300,000 and \$20,300,000 at June 30, 2015 and 2014, respectively. The Agency pledged a portion of this credit facility as security on two letters of credit (see Note 14).

In conjunction with the construction of the new Carpentersville Child & Family Center, the Agency secured a \$6 million construction credit facility with a commercial bank which expires on October 31, 2015. Amounts drawn against this facility bear interest at a one-month London Interbank Offered Rate plus 2.5% (2.69% and 2.65% at June 30, 2015 and 2014, respectively). At June 30, 2015 and 2014, the outstanding balances under this credit facility were \$4,953,961 and \$390,500, respectively. The facility contains certain restrictive covenants related to financial performance and debt limitations. It is secured by cash and investments with a market value of \$21,300,000 and \$20,300,000 at June 30, 2015 and 2014, respectively. Upon completion of the Center, this debt will be reduced by a combination of donor contributions and a traditional mortgage. In addition to the construction credit line, the Agency was required to post a performance letter of credit in the amount of \$260,937 with the Village of Carpentersville as beneficiary. The Village of Carpentersville was able to draw upon it if work covered by the commitment was not completed. This letter of credit expired on June 1, 2015.

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NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs and purposes as directed by the donors as of June 30:

	<u>2015</u>	<u>2014</u>
Rice-Residential Treatment Center	\$ 179,470	\$ 85,645
Community Schools	148,859	59,031
Comprehensive Fundraising Campaign	6,583,935	2,838,998
Unappropriated Earnings on Permanently Restricted Endowments	2,708,310	3,020,310
Time Restriction not Expired	18,569	29,007
Workforce Development	-	175,000
School Based Mental Health	89,054	20,185
Other	198,986	263,961
Total	<u>\$ 9,927,183</u>	<u>\$ 6,492,137</u>

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent donor-restricted investments to be held in perpetuity. Each year, the trustees of the investments appropriate a portion of the income from there to support program services. The remaining income is classified as temporarily restricted net assets.

Permanently restricted net assets are included in donor-restricted cash and investments, beneficial interest in trusts, and other cash and cash equivalents on the Consolidated Statements of Financial Position.

Permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Donor-Restricted Endowment Funds	\$ 2,603,364	\$ 2,592,043
Beneficial Interest in Trusts	4,872,031	5,043,599
Other Donor Restricted	45,366	45,366
Total	<u>\$ 7,520,761</u>	<u>\$ 7,681,008</u>

NOTE 13 ENDOWMENTS

The Agency's endowments consist of three donor-restricted funds and the Agency's board-designated fund. The donor-restricted funds have been established to support various programs of the Agency. Net assets associated with the endowment funds are classified and reported based on the existence of any donor-imposed restrictions.

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NOTE 13 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Agency has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

Return Objectives and Risk Parameters

The Agency has adopted investment and distribution policies for endowment investments that attempt to enhance their real value. The intent is to earn a high rate of return while maintaining a balanced portfolio relative to risk.

Distribution Policy

The Agency's distribution policy for endowment investments includes board approvals of amounts to be distributed to the Agency's programs during each fiscal year.

Strategies Employed for Achieving Objectives

The Agency's investment strategy is to achieve a target allocation of 50% of the endowment in direct equity investments including United States and international investments, 35% in partnerships and hedge funds, and 15% in fixed-income securities.

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted				
Endowment Funds	\$ -	\$ 2,708,310	\$ 2,603,364	\$ 5,311,674
Board-Designated				
Endowment Funds	<u>18,995,853</u>	<u>-</u>	<u>-</u>	<u>18,995,853</u>
Total Funds	<u>\$ 18,995,853</u>	<u>\$ 2,708,310</u>	<u>\$ 2,603,364</u>	<u>\$ 24,307,527</u>

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NOTE 13 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	<u>\$17,845,703</u>	<u>\$ 3,020,310</u>	<u>\$ 2,592,043</u>	<u>\$23,458,056</u>
Investment Return:				
Investment Income, Net of Fees	180,807	83,645	-	264,452
Realized and Unrealized Losses	<u>(603,916)</u>	<u>(172,045)</u>	-	<u>(775,961)</u>
Total Investment Return	<u>(423,109)</u>	<u>(88,400)</u>	-	<u>(511,509)</u>
Contributions to Endowment	<u>1,749,659</u>	-	11,321	<u>1,760,980</u>
Appropriation of Endowment Assets for Expenditures	<u>(176,400)</u>	<u>(223,600)</u>	-	<u>(400,000)</u>
Net Assets - End of Year	<u><u>\$ 18,995,853</u></u>	<u><u>\$ 2,708,310</u></u>	<u><u>\$ 2,603,364</u></u>	<u><u>\$ 24,307,527</u></u>

Endowment net asset composition by type of fund as of June 30, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 3,020,310	\$ 2,592,043	\$ 5,612,353
Board-Designated Endowment Funds	<u>17,845,703</u>	-	-	<u>17,845,703</u>
Total Funds	<u><u>\$17,845,703</u></u>	<u><u>\$ 3,020,310</u></u>	<u><u>\$ 2,592,043</u></u>	<u><u>\$ 23,458,056</u></u>

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NOTE 13 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	<u>\$14,569,471</u>	<u>\$ 2,529,962</u>	<u>\$ 2,547,907</u>	<u>\$19,647,340</u>
Investment Return:				
Investment Income, Net of Fees	17,581	51,202	-	68,783
Realized and Unrealized Losses	<u>2,358,920</u>	<u>657,146</u>	-	<u>3,016,066</u>
Total Investment Return	<u>2,376,501</u>	<u>708,348</u>	-	<u>3,084,849</u>
Contributions to Endowment	<u>2,207,193</u>	-	<u>44,136</u>	<u>2,251,329</u>
Appropriation of Endowment Assets for Expenditures	<u>(1,307,462)</u>	<u>(218,000)</u>	-	<u>(1,525,462)</u>
Net Assets - End of Year	<u><u>\$ 17,845,703</u></u>	<u><u>\$ 3,020,310</u></u>	<u><u>\$ 2,592,043</u></u>	<u><u>\$ 23,458,056</u></u>

NOTE 14 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Agency maintains an operating lease agreement for its principal administrative offices that expires in January 2022. The terms of the agreement provide for an abatement of rental payments, along with sharing of operation and maintenance costs. Rental expense is recorded on a straight-line basis over the life of the lease term. The excess of rental expense recognized over rental payments is included in "Accounts payable and accrued expenses" on the Consolidated Statements of Financial Position. The Agency also maintains operating lease agreements at various other locations throughout the state of Illinois for the use of land and buildings. Rental expense recognized under these operating leases was \$1,631,290 and \$1,458,192 in 2015 and 2014, respectively.

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NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum rental payments over the remainder of operating lease terms are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2016	\$ 1,631,392
2017	1,477,974
2018	1,344,125
2019	1,349,020
2020	1,199,819
2021 and Thereafter	3,397,840
Total Future Minimum Lease Payments	<u>\$ 10,400,170</u>

Letters of Credit

One of the Agency's banks issued, on behalf of the Agency, two irrevocable standby letters of credit in the amounts of \$750,000 and \$200,000. The first is in favor of 100 North Western Avenue, L.P. that automatically renews on September 1 of each year through 2019 and pertains to leased space at 100 North Western Avenue, Chicago, Illinois. The second is in favor of Metropolitan Life Insurance and pertains to 125 South Wacker Drive, Chicago, Illinois, that automatically renews each February through 2018. These letters of credit act as a security deposit for the Agency's lease of space and would be applied by the beneficiary for the purpose of curing any amount of default on the lease by the Agency. The combined, unamortized balance of these letters of credit was \$521,400 as of June 30, 2015 and 2014. The letters of credit are payable in the amount of the remaining balance if drawn upon.

Litigation

The Agency is named in various lawsuits arising in the ordinary course of business. The ultimate resolution of these lawsuits, including any related financial effects on the Agency, is currently unknown. The Agency has not provided for any potential future losses arising from the resolution of these matters in the accompanying consolidated financial statements. Despite the inherent uncertainties of litigation, management does not believe that the lawsuits will have a material adverse impact on the financial condition of the Agency at this time.

State Funding

The Agency receives a significant portion of its revenues and other support from agencies of the state of Illinois. Payments for the Agency's programs funded by the state of Illinois may be subject to modification based on the amount of funding made available by the state. Should such funding modifications occur, they could have an adverse effect on the Agency's revenue and other support.

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NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Compliance with Grant Restrictions

The state and federal grants received by the Agency are subject to audit. Management believes that any disallowance of expenditures under these grants would not be material.

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 16, 2015, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to September 16, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the consolidated financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2015.