CHILDREN'S HOME AND AID SOCIETY
OF ILLINOIS AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

CliftonLarsonAllen

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015

CliftonLarsonAllen LLP
CLAconnect.com

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, 2016 and 2015, 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. 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.

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, 2016 and 2015, and the changes in their net assets and their 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 $4,548,297 and $2,829,124 as of June 30, 2016 and 2015, 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
October 19, 2016

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	$ 3,301,116	$ 4,831,433
Accounts Receivable, Net of Allowance for Doubtful Accounts $293,195 and $154,225 in 2016 and 2015, Respectively	7,637,013	5,083,307
Pledges Receivable	1,830,143	2,143,873
Prepaid Expenses and Other Assets	559,701	514,060
Other Investment	935,000	935,000
Board-Designated Assets for Investment and Deferred Compensation Plan	17,566,565	18,995,853
Donor-Restricted Cash and Investments	4,733,000	5,182,000
Beneficial Interest in Trusts	4,607,717	4,872,031
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	24,836,161	24,437,030
Total Assets	$ 66,006,416	$ 66,994,587
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 3,311,660	$ 2,786,772
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	3,791,583	3,859,365
Deferred Compensation	496,909	481,515
Deferred Revenue	1,377,835	1,041,551
Capital Lease Obligation	-	128,228
Construction Credit Facility	-	4,953,961
Long-Term Debt	5,444,791	1,137,453
Total Liabilities	14,422,778	14,388,845
NET ASSETS		
Unrestricted	33,851,340	35,157,798
Temporarily Restricted	10,472,851	9,927,183
Permanently Restricted	7,259,447	7,520,761
Total Net Assets	51,583,638	52,605,742
Total Liabilities and Net Assets	$ 66,006,416	$ 66,994,587

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, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	$ 3,989,838	$ 1,366,987	$ -	$ 5,356,825
Foundations and Trusts	878,600	-	-	878,600
Contributions from Associated Fundraising Organizations	1,069,236	-	-	1,069,236
Fees and Grants from Governmental Agencies for Services Rendered to Clients	51,781,237	-	-	51,781,237
Program Service Fees	1,585,491	-	-	1,585,491
Investment Income	191,800	51,668	-	243,468
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	2,244,356	(838,130)	-	1,406,226
Miscellaneous	428,190		-	428,190
Total Revenues and Other Support	62,168,748	580,525	-	62,749,273
EXPENSES				
Total Program Services	52,810,743	-	-	52,810,743
Supporting Services:				
Management and General	8,112,500	-	-	8,112,500
Fundraising	1,566,616	-	-	1,566,616
Total Expenses	62,489,859	-	-	62,489,859
Income (Loss) from Operations	(321,111)	580,525	-	259,414
COMPREHENSIVE FUNDRAISING CAMPAIGN REVENUE				
General Public, Corporate, and Foundation Support	-	1,636,237	3,000	1,639,237
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	-	(1,406,226)	-	(1,406,226)
Total Comprehensive Fundraising Campaign Revenue	-	230,011	3,000	233,011
NON-OPERATING LOSSES				
Net Realized and Unrealized Losses on Investments	(985,347)	(264,868)	(264,314)	(1,514,529)
CHANGE IN NET ASSETS	(1,306,458)	545,668	(261,314)	(1,022,104)
NET ASSETS - BEGINNING OF YEAR	35,157,798	9,927,183	7,520,761	52,605,742
NET ASSETS - END OF YEAR	$33,851,340	$10,472,851	$7,259,447	$51,583,638

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			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	66,306,298	(137,847)	-	66,168,451
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	64,370,494	-	-	64,370,494
Income (Loss) from Operations	1,935,804	(137,847)	-	1,797,957
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	-	(787,268)	-	(787,268)
Total Comprehensive Fundraising Campaign Revenue	-	3,744,938	11,321	3,756,259
NON-OPERATING LOSSES				
Net Realized and Unrealized Losses on Investments	(397,459)	(172,045)	(171,568)	(741,072)
CHANGE IN NET ASSETS	1,538,345	3,435,046	(160,247)	4,813,144
NET ASSETS - BEGINNING OF YEAR	33,619,453	6,492,137	7,681,008	47,792,598
NET ASSETS, END OF YEAR	$35,157,798	$9,927,183	$7,520,761	$52,605,742

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (1,022,104)	$ 4,813,144
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,649,633	1,358,142
Gain on Sales of Land, Buildings, Equipment, and Leasehold Improvements	(253,700)	-
Deferred Compensation	15,394	103,064
Provision for Bad Debts	120,000	-
Permanently Restricted Contributions	(3,000)	(11,321)
Net Realized and Unrealized Losses on Permanently and Temporarily Restricted Net Assets	529,182	343,613
Net Realized and Unrealized Losses on Assets Whose use is Limited or Restricted, Excluding Investments of Permanently and Temporarily Restricted Net Assets	985,347	397,459
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(2,673,706)	886,469
Pledges Receivable	313,730	(1,044,009)
Prepaid Expenses and Other Assets	(45,641)	67,962
Accounts Payable and Accrued Expenses	524,888	224,977
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	(67,782)	(155,847)
Other liabilities	336,284	(24,290)
Net Cash Provided by Operating Activities	408,525	6,959,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Buildings, Equipment, and Leasehold Improvements	(2,082,191)	(2,477,349)
Proceeds from sales of Land, Buildings, Equipment, and Leasehold Improvements	287,127	-
Purchases of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	(2,682,785)	(8,277,337)
Sales and Maturities of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	3,310,858	6,934,679
Net Cash Used by Investing Activities	(1,166,991)	(3,820,007)

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Investment in Endowment	$ 3,000	$ 11,321
Repayment of Long-Term Debt	(646,623)	(81,247)
Payments on Capital Lease Obligation	(128,228)	(112,125)
Net Cash Used by Financing Activities	(771,851)	(182,051)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,530,317)	2,957,305
Cash and Cash Equivalents - Beginning of Year	4,831,433	1,874,128
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,301,116	$ 4,831,433
SUPPLEMENTARY DISCLOSURES		
Schedule of Non-Cash Investing and Financing Transactions:		
Investing:		
Total Capital Acquisitions	$ -	$ 7,040,810
Less Amount of Borrowings on Construction Line of Credit	-	(4,563,461)
Cash Paid for Capital Acquisitions	$ -	$ 2,477,349
Financing:		
Line of Credit Borrowing Used to Finance Construction	$ -	$ 4,172,961
Refinancing of Construction Line of Credit to Long-Term Debt	$ 4,953,961	$ -
CASH PAID FOR INTEREST	$ 200,603	$ 100,453

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, 2016

	Program Services						
	Adoption	Counseling	Child Care	Child Care Resource and Referral	Foster Care	Intact Family Services	Parental Support
Salaries	$ 35,112	$ 2,601,969	$ 5,768,541	$ 1,403,354	$ 7,634,327	$ 1,821,522	$ 1,239,208
Employee Health and Retirement Benefits	6,202	507,899	1,126,257	277,647	1,494,998	357,492	243,802
Payroll Taxes	2,365	187,945	409,546	99,867	543,035	128,192	88,333
Total Salaries and Related Expenses	43,679	3,297,813	7,304,344	1,780,868	9,672,360	2,307,206	1,571,343
Professional Fees	297	490,952	389,374	628,931	711,032	161,850	37,052
Supplies	772	40,964	630,416	71,830	104,687	27,631	50,939
Telephone	3,757	80,746	159,494	45,019	279,591	89,423	50,758
Postage and Shipping	158	4,775	3,637	25,981	19,062	3,538	1,505
Occupancy	1,099	236,108	692,031	173,561	836,555	186,449	70,482
Outside Printing	35	1,838	15,248	23,124	6,730	2,077	3,985
Local Transportation	909	149,856	62,071	25,771	961,372	223,972	47,314
Conferences and Meetings	-	13,061	30,900	19,081	48,424	13,357	20,265
Subscriptions and Reference	-	-	602	788	227	-	1,904
Specific Assistance	35	36,007	25,002	4,935	7,073,655	53,275	36,196
Membership Dues	-	461	3,441	793	569	60	5,407
Repairs, Maintenance, and Rental	99	18,976	35,314	9,523	64,916	14,346	10,711
Miscellaneous	188	17,214	60,399	9,239	74,602	11,888	22,403
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	51,028	4,388,771	9,412,273	2,819,444	19,853,782	3,095,072	1,930,264
Depreciation and Amortization	224	67,752	737,128	15,210	238,600	53,469	62,867
Interest and Financing Fees	4	1,019	1,612	663	3,916	1,085	531
TOTAL FUNCTIONAL EXPENSES	$ 51,256	$ 4,457,542	$ 10,151,013	$ 2,835,317	$ 20,096,298	$ 3,149,626	$ 1,993,662

See accompanying Notes to Consolidated Financial Statements.

	Program Services (Continued)				Supporting Services			
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 3,359,608	$ 2,209,179	$ 402,342	$ 26,475,162	$ 4,229,588	$ 741,160	$ 4,970,748	$ 31,445,910
Employee Health and Retirement Benefits	579,367	393,688	78,900	5,066,252	859,934	147,325	1,007,259	6,073,511
Payroll Taxes	238,955	159,409	28,794	1,886,441	280,373	52,514	332,887	2,219,328
Total Salaries and Related Expenses	4,177,930	2,762,276	510,036	33,427,855	5,369,895	940,999	6,310,894	39,738,749
Professional Fees	251,188	209,384	7,878	2,887,938	1,001,198	93,983	1,095,181	3,983,119
Supplies	335,680	72,349	28,088	1,363,356	87,076	16,770	103,846	1,467,202
Telephone	40,865	71,910	25,854	847,417	216,396	2,649	219,045	1,066,462
Postage and Shipping	682	4,965	1,696	65,999	15,730	21,608	37,338	103,337
Occupancy	281,812	160,297	16,922	2,655,316	678,140	11,932	690,072	3,345,388
Outside Printing	6,969	2,409	5,180	67,595	24,382	76,261	100,643	168,238
Local Transportation	54,582	146,896	16,252	1,688,995	88,856	13,547	102,403	1,791,398
Conferences and Meetings	15,744	26,271	9,053	196,156	79,522	18,088	97,610	293,766
Subscriptions and Reference	140	403	255	4,319	6,482	500	6,982	11,301
Specific Assistance	85,362	132,732	8,874	7,456,073	1,946	316	2,262	7,458,335
Membership Dues	5,015	165	2,050	17,961	88,512	2,794	91,306	109,267
Repairs, Maintenance, and Rental	67,466	12,194	3,881	237,426	30,279	169	30,448	267,874
Miscellaneous	21,033	83,035	6,261	306,262	162,950	365,975	528,925	835,187
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	5,344,468	3,685,286	642,280	51,222,668	7,851,364	1,565,591	9,416,955	60,639,623
Depreciation and Amortization	323,336	74,957	4,339	1,577,882	70,740	1,011	71,751	1,649,633
Interest and Financing Fees	505	770	88	10,193	190,396	14	190,410	200,603
TOTAL FUNCTIONAL EXPENSES	$ 5,668,309	$ 3,761,013	$ 646,707	$ 52,810,743	$ 8,112,500	$ 1,566,616	$ 9,679,116	$ 62,489,859

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			
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
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

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., (MWH) an Illinois nonprofit corporation of which the Society was the sole corporate member, was operated exclusively for the benefit of the Society and provided oversight direction and administration of the John M. Scott Industrial Trust. MWH merged with the Society in July 2015.
- 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.
- The Federation of Community Schools (FCS) is an Illinois nonprofit corporation of which the Society became the sole member on June 26, 2016. FCS assets consisting of cash deposits of approximately $30,000 were combined with those of the Society and FCS will formally dissolve in fiscal year 2017.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and its wholly owned and controlled affiliates (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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

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.

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, 2016 and 2015, 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. The Agency's capitalization threshold is $1,500. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

	Years
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.

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, 2016 and 2015, there were no liabilities for uncertain tax positions.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Agency to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Agency for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Agency's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the Consolidated statements of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the Consolidated statements of activities and changes in net assets the amount of the change in each of the two classes of net assets.
- Continue to present on the face of the Consolidated statements of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting. However, no longer require the presentation or disclosure of the indirect method reconciliation, if using the direct method.
- Enhanced disclosures in the following areas:
    - Board designated net assets
    - Donor restricted net assets
    - Qualitative and quantitative information on liquidity
    - Amounts of expenses by both their natural and functional classification
    - Methods used to allocate costs among program and supporting functions
    - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Agency for annual periods beginning after December 15, 2017. Early adoption is permitted.

NOTE 2 PLEDGES RECEIVABLE

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

Year Ending June 30,	Amount
2017	$ 1,038,347
2018	338,852
2019	190,000
2020	190,000
2021	150,000
Total Pledges Receivable	1,907,199
Less Discount to Net Present Value	(77,056)
Total	$ 1,830,143

The discount rate used for the years ended June 30, 2016 and 2015 was 4% and 3%, respectively.

NOTE 3 INVESTMENTS

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

	2016	2015
Fixed Income Mutual Funds	$ 4,415,731	$ 4,846,106
Equity Securities, Mutual Funds, Exchange Traded Funds, Other Funds and Partnerships	13,295,904	16,382,427
Non-Public Pooled Investments	4,548,297	2,829,124
Cash Equivalents and Money Market Funds	39,633	120,196
Beneficial Interest in Trusts	4,607,717	4,872,031
Other Investment	935,000	935,000
Total	$ 27,842,282	$ 29,984,884

NOTE 3 INVESTMENTS (CONTINUED)

Included in non-public pooled investments above are the Portfolio Advisors Private Equity Fund IV, L.P., the SEG Partners Offshore, Ltd., the MW Eureka Fund 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, 2016 and 2015. The market value for this fund was estimated at $630,575 and $815,638 at June 30, 2016 and 2015, respectively. Currently, the Agency is not eligible to redeem the investment 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. During the year ended June 30, 2016, the Agency invested $1,000,000 in the SEG Partners Offshore, Ltd. Fund. The market value of this fund as of June 30, 2016 was $989,830. During the year ended June 30, 2016, the Agency invested $1,000,000 in the MW Eureka Fund. The market value of this fund as of June 30, 2016 was $976,693. The Agency has invested $1,000,000 in the Cyrus Opportunities Fund II Ltd. as of June 30, 2016 and 2015. The market value for this fund was estimated at $1,951,199 and $2,013,486 as of June 30, 2016 and 2015, respectively. The Agency has no other unfunded commitments for further investment in the SEG Partners Offshore, Ltd. Fund, the MW Eureka Fund and Cyrus Opportunities Fund II Ltd. as of December 31, 2016 and 2015. There are no additional redemption restrictions on these investments as well.

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 two 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. In July 2016, the Agency liquidated 6,000 shares of the stock at a price of $55 per share.

The composition of investment return on the Agency's investment portfolio for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Interest and Dividend Income	$ 243,468	$ 278,512
Net Realized Gains (Losses) on Sales	(94,724)	483,294
Net Unrealized Gains (Losses)	(1,419,805)	(1,224,366)
Total	$ (1,271,061)	$ (462,560)

Investment fees incurred were $53,419 and $55,030 for the years ended June 30, 2016 and 2015, 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, 2016 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	$ 7,460,181	$ 7,460,181	$ -	$ -
International Mutual Funds	4,928,862	4,928,862	-	-
Hedge Funds	906,861	906,861	-	-
Fixed Income:				
Mutual Funds	4,415,731	-	4,415,731	-
Non-Public Pooled Investments	4,548,297	-	-	4,548,297
Beneficial Interest in Trusts	4,607,717	-	4,607,717	-
Other Investment	935,000	-	-	935,000
Total Assets at Fair Value	27,802,649	$ 13,295,904	$ 9,023,448	$ 5,483,297
Cash and Cash Equivalents	39,633			
Total Assets	$ 27,842,282			

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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 had an initial term of five years ending on December 1, 2015. This agreement has been verbally extended for an additional five years and the amount of the guarantee is $1,250,000.

The other investment consists of donated stock (see Note 3). The fair value of this investment was determined to be $55 per share at June 30, 2016 and 2015, the price the Agency received on recent stock liquidations.

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 (loss) relating to assets still held as of June 30, 2016 and 2015 is $(71,620) and $204,188, 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, 2016:

Investments:	
Balance - June 30, 2015	$ 3,764,124
Purchase of Investments, net	1,790,793
Change in Fair Value Estimate	(71,620)
Balance - June 30, 2016	$ 5,483,297

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of assets and liabilities measured on a recurring basis at June 30, 2015 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	$ 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	29,864,688	$ 16,382,427	$ 9,718,137	$ 3,764,124
Cash and Cash Equivalents	120,196			
Total Assets	$ 29,984,884			

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	$ 3,764,124

NOTE 5 LAND, BUILDINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

A summary of land, buildings, equipment, and leasehold improvements as of June 30, 2016 and 2015 follows:

	2016	2015
Land	$ 2,138,088	$ 823,473
Buildings and Improvements	31,805,990	23,892,039
Office Furniture and Equipment	5,378,519	4,618,000
Automobiles	194,985	224,378
Leasehold Improvements	599,107	532,651
Construction in Progress	312,113	8,460,315
Total at Cost	40,428,802	38,550,856
Less: Allowance for Depreciation and Amortization	15,592,641	14,113,826
Total Land, Buildings, Equipment and Leasehold Improvements	$ 24,836,161	$ 24,437,030

During the year ended June 30, 2015, the Agency began construction of a new child and family center in Carpentersville, Illinois. The facility, which was opened in July 2015, more than doubled the Agency’s early childhood learning capacity in the community. Expenditures on this facility through June 30, 2016, were approximately $10,008,000. Sources of funding for the facility were a $5,000,000 grant from the state of Illinois; contributions and grants from individuals, foundations and corporations; and mortgage loans.

During the year ended June 30, 2017 the Agency will replace the roofs and heating, ventilation and air conditioning equipment at its Ada Rice Residential Center in Evanston, Illinois at a cost of approximately $1.3 million.

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 $125,000 and $415,648 in 2016 and 2015, respectively.

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, 2016 and 2015. In addition, the Agency allocates appreciation or depreciation to the plan based on the investment performance of the Foundation assets. This amounted to $59,606 and $394 of depreciation for the years ended June 30, 2016 and 2015, 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 $396,000 and $382,000 as of June 30, 2016 and 2015, respectively, 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 $1,006,000 and $1,005,000 as of June 30, 2016 and 2015, 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 $34,028,863 in 2016 and $35,202,148 in 2015 of revenue received from the Illinois Department of Children and Family Services (DCFS). In addition, the Society received revenue of $7,695,175 in 2016 and $8,874,310 in 2015 from the Illinois Department of Human Services (DHS). The amount of revenue from these funding sources represents approximately 66% and 64% of the Agency's total operating revenue and support for each of the years ended June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the Agency's gross accounts receivable includes amounts due from the DCFS and the DHS of $4,487,134 and $3,692,525, respectively. A summary of unrestricted governmental agency revenue received, by core service, is presented below:

NOTE 7 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES (CONTINUED)

	2016	2015
Adoption	$ -	$ 2,731
Counseling	1,963,540	2,334,837
Child Care	8,978,949	8,323,884
Child Care Resource and Referral	3,108,907	2,879,955
Foster Care	22,994,062	23,804,508
Intact Family Services	3,923,176	3,900,348
Parental Support	1,795,062	2,101,349
Residential Services	5,688,431	5,662,362
Youth Services	2,829,110	5,363,624
Other	500,000	3,048,039
Total	$ 51,781,237	$ 57,421,637

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following:

Description	2016	2015
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 real property and assignment of rents recorded against the property, maturing in July 2025.	$ 1,049,693	$ 1,137,453
Note payable to a bank with interest at 4.52%. The monthly principal and interest payments are $15,639 with a final payment of $1,518.727. The loan is secured by a mortgage of real property and assignment of rents recorded against the property and matures in December, 2025.	2,020,098	-
Note payable to a bank with a variable interest rate. The initial monthly principal and interest payments are are $20,833 with a final payment of $20,881. The loan is secured by a mortgage of real property and assignment of rents recorded against the property and matures in December, 2025. The interest rate is based on changes in the one month LIBOR with an initial rate of 2.744%.	2,375,000	-
Total	$ 5,444,791	$ 1,137,453

NOTE 8 LONG-TERM DEBT (CONTINUED)

Principal maturities of long-term debt are as follows:

Year Ending June 30,		Amount
2017	$	459,098
2018		469,831
2019		481,122
2020		493,000
2021		505,462
Thereafter		3,036,278
Total	$	5,444,791

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 expired in June 2016. These copiers are included in office furniture and equipment. Accumulated depreciation for equipment under the capital lease was $382,972 at June 30, 2015.

NOTE 10 CREDIT FACILITIES

The Agency has a credit facility ($5,000,000 as of June 30, 2016 and 2015) with a commercial bank which was scheduled to expire on September 1, 2015. The credit facility was renewed on October 26, 2015. The renewal expires on December 31, 2016 with the same terms. Amounts drawn against the facility bear interest at the commercial bank's prime interest rate (3.50% and 3.25% at June 30, 2016 and 2015, respectively) less 0.5%. At June 30, 2016 and 2015, 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 $17,752,000 and $21,300,000 at June 30, 2016 and 2015, respectively. The Agency pledged a portion of this credit facility as security on two letters of credit (see Note 14).

NOTE 10 CREDIT FACILITIES (CONTINUED)

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 expired on October 31, 2015. Amounts that were drawn against this facility bore interest at a one-month London Interbank Offered Rate plus 2.5% (2.69% at June 30, 2015). At June 30, 2015, the outstanding balance under this credit facility was $4,953,961. The facility contained certain restrictive covenants related to financial performance and debt limitations. It was secured by cash and investments with a market value of $21,300,000 at June 30, 2015. Upon completion of the Center, this debt was reduced by a combination of donor contributions and a traditional mortgage (see Note 8). 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.

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:

	2016	2015
Residential Services	$ 147,640	$ 179,470
Counseling	526,295	89,054
Comprehensive Fundraising Campaign	6,813,946	6,583,936
Unappropriated Earnings on Permanently Restricted Endowments	2,259,310	2,708,310
Foster Care	60,000	56,480
Child Care	161,330	42,630
Parental Support	66,760	41,596
Youth Services	285,368	195,060
Intact Family Services	20,000	7,079
Other	132,202	23,568
Total	$ 10,472,851	$ 9,927,183

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:

	2016	2015
Donor-Restricted Endowment Funds	$ 2,606,364	$ 2,603,364
Beneficial Interest in Trusts	4,607,717	4,872,031
Other Donor Restricted	45,366	45,366
Total	$ 7,259,447	$ 7,520,761

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.

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.

NOTE 13 ENDOWMENTS (CONTINUED)

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, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 2,259,310	$ 2,606,364	$ 4,865,674
Board-Designated Endowment Funds	17,566,565	-	-	17,566,565
Total Funds	$17,566,565	$ 2,259,310	$ 2,606,364	$22,432,239

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	$18,995,853	$ 2,708,310	$ 2,603,364	$24,307,527
Investment Return:				
Investment Income, Net of Fees	191,800	51,668	-	243,468
Realized and Unrealized Losses	(985,347)	(264,868)	-	(1,250,215)
Total Investment Return	(793,547)	(213,200)	-	(1,006,747)
Contributions to Endowment	104,266	-	3,000	107,266
Appropriation of Endowment Assets for Expenditures	(740,007)	(235,800)	-	(975,807)
Net Assets - End of Year	$17,566,565	$ 2,259,310	$ 2,606,364	$22,432,239

NOTE 13 ENDOWMENTS (CONTINUED)

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

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

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

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 $1,630,806 and $1,631,290 in 2016 and 2015, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Year Ending June 30,	Amount
2017	$ 1,603,943
2018	1,473,619
2019	1,438,844
2020	1,255,159
2021	1,167,541
2022 and Thereafter	2,230,300
Total Future Minimum Lease Payments	$ 9,169,406

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, 2016 and 2015. 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.

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 October 19, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to October 19, 2016, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the consolidated financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016.