CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP

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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 (the Agency), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2017 and 2016, 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 $3,909,671 and $4,548,297 as of June 30, 2017 and 2016, 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 26, 2017

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 2,534,944	$ 3,301,116
Accounts Receivable, Net of Allowance for Doubtful Accounts $190,905 and $293,195 in 2017 and 2016, Respectively	7,240,962	7,637,013
Pledges Receivable	1,857,614	1,830,143
Prepaid Expenses and Other Assets	508,304	851,984
Other Investment	605,000	935,000
Board-Designated Assets for Investment and Deferred Compensation Plan	18,738,527	17,566,565
Donor-Restricted Cash and Investments	5,114,000	4,733,000
Beneficial Interest in Trusts	4,904,899	4,607,717
Land, Buildings, Equipment, and Leasehold Improvements, Net of Accumulated Depreciation and Amortization	25,021,988	24,543,878
Total Assets	$ 66,526,238	$ 66,006,416
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,477,816	$ 3,311,660
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	2,712,895	3,791,583
Line of Credit	711,384	-
Deferred Compensation	230,015	496,909
Deferred Revenue	608,790	1,377,835
Capital Lease Obligation	364,716	-
Long-Term Debt	5,615,194	5,444,791
Total Liabilities	12,720,810	14,422,778
NET ASSETS		
Unrestricted	41,037,663	33,851,340
Temporarily Restricted	5,211,136	10,472,851
Permanently Restricted	7,556,629	7,259,447
Total Net Assets	53,805,428	51,583,638
Total Liabilities and Net Assets	$ 66,526,238	$ 66,006,416

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	$ 3,393,881	$ 1,336,637	$ -	$ 4,730,518
Foundations and Trusts	994,649	-	-	994,649
Contributions from Associated Fundraising Organizations	1,024,534	-	-	1,024,534
Fees and Grants from Governmental Agencies for Services Rendered to Clients	50,575,347	-	-	50,575,347
Program Service Fees	1,597,835	-	-	1,597,835
Investment Income	277,005	71,439	-	348,444
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	2,727,967	(1,641,580)	-	1,086,387
Miscellaneous	143,534	-	-	143,534
Total Revenues and Other Support	60,734,752	(233,504)	-	60,501,248
EXPENSES				
Total Program Services	51,893,871	-	-	51,893,871
Supporting Services:				
Management and General	8,062,548	-	-	8,062,548
Fundraising	1,886,221	-	-	1,886,221
Total Expenses	61,842,640	-	-	61,842,640
LOSS FROM OPERATIONS	(1,107,888)	(233,504)	-	(1,341,392)
COMPREHENSIVE FUNDRAISING CAMPAIGN REVENUE				
General Public, Corporate, and Foundation Support	-	1,683,073	-	1,683,073
Net Assets Released from Time and Purpose Restrictions and Other Reclassifications	6,172,168	(7,258,555)	-	(1,086,387)
Total Comprehensive Fundraising Campaign Revenue (Expense)	6,172,168	(5,575,482)	-	596,686
NONOPERATING GAINS				
Net Realized and Unrealized Gains on Investments	2,122,043	547,271	297,182	2,966,496
CHANGE IN NET ASSETS	7,186,323	(5,261,715)	297,182	2,221,790
Net Assets - Beginning of Year	33,851,340	10,472,851	7,259,447	51,583,638
NET ASSETS - END OF YEAR	$ 41,037,663	$ 5,211,136	$ 7,556,629	$ 53,805,428

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

	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
NONOPERATING 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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,221,790	$ (1,022,104)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,675,651	1,649,633
(Gain) Loss on Sales of Land, Buildings, Equipment, and Leasehold Improvements	13,680	(253,700)
Deferred Compensation	(266,894)	15,394
Provision for Bad Debts	-	120,000
Permanently Restricted Contributions	-	(3,000)
Net Realized and Unrealized (Gains) Losses on Permanently and Temporarily Restricted Net Assets	(844,453)	529,182
Net Realized and Unrealized (Gains) Losses on Assets Whose Use is Limited or Restricted, Excluding Investments of Permanently and Temporarily Restricted Net Assets	(2,122,043)	985,347
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	396,051	(2,673,706)
Pledges Receivable	(27,471)	313,730
Prepaid Expenses and Other Assets	51,397	(45,641)
Accounts Payable and Accrued Expenses	(833,844)	524,888
Accrued Salaries, Wages, Paid Leave, Pension, and Payroll Taxes	(1,078,688)	(67,782)
Other Liabilities	(769,045)	336,284
Net Cash Provided (Used) by Operating Activities	(1,583,869)	408,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Buildings, Equipment, and Leasehold Improvements	(753,482)	(2,082,191)
Proceeds from Sales of Land, Buildings, Equipment, and Leasehold Improvements	-	287,127
Purchases of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	(6,030,834)	(2,682,785)
Sales and Maturities of Trustee-Held, Board-Designated, and Donor-Restricted Cash and Investments	7,477,186	3,310,858
Net Cash Provided (Used) by Investing Activities	692,870	(1,166,991)

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Investment in Endowment	$ -	$ 3,000
Repayment of Long-Term Debt	(529,597)	(646,623)
Net Borrowings on Line of Credit	711,384	-
Payments on Capital Lease Obligation	(56,960)	(128,228)
Net Cash Provided (Used) by Financing Activities	124,827	(771,851)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(766,172)	(1,530,317)
Cash and Cash Equivalents - Beginning of Year	3,301,116	4,831,433
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,534,944	$ 3,301,116
SUPPLEMENTARY DISCLOSURES		
Schedule of Noncash Investing and Financing Transactions:		
Investing:		
Total Capital Acquisitions	$ 1,121,676	$ -
Financing:		
Long-Term Debt Borrowing to Finance Capital Acquisitions	$ 700,000	$ -
Capital Lease Obligation Borrowing to Finance Capital Acquisitions	$ 421,676	$ -
CASH PAID FOR INTEREST	$ 246,038	$ 200,603

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, 2017

	Program Services						
	Adoption	Counseling	Child Care	Child Care Resource and Referral	Foster Care	Intact Family Services	Parental Support
Salaries	$ 13,929	$ 2,539,629	$ 5,992,597	$ 1,471,074	$ 7,337,852	$ 2,084,667	$ 1,342,696
Employee Health and Retirement Benefits	2,768	520,425	1,220,283	295,605	1,495,273	420,036	272,043
Payroll Taxes	877	182,512	423,397	102,578	521,425	146,577	96,074
Total Salaries and Related Expenses	17,574	3,242,566	7,636,277	1,869,257	9,354,550	2,651,280	1,710,813
Professional Fees	256	575,700	322,259	592,843	700,532	148,644	229,900
Supplies	593	32,205	686,905	77,977	85,715	41,841	57,252
Telephone	3,593	100,242	161,073	56,834	284,483	79,599	50,463
Postage and Shipping	-	2,163	2,116	22,491	9,806	1,569	390
Occupancy	1,018	278,557	698,963	173,611	848,910	192,249	51,151
Outside Printing	-	1,742	9,708	31,201	6,677	1,491	3,083
Local Transportation	1,445	164,833	61,150	34,643	901,269	244,348	53,969
Conferences and Meetings	-	14,845	36,782	16,623	50,661	35,850	26,800
Subscriptions and Reference	-	-	667	1,121	760	704	2,574
Specific Assistance	-	38,568	23,560	11,506	6,755,917	91,761	44,540
Membership Dues	-	350	4,275	1,403	640	-	7,834
Repairs, Maintenance, and Rental	23	13,011	20,253	6,487	39,030	9,097	6,095
Miscellaneous	75	14,791	51,711	8,015	51,912	12,735	10,160
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	24,577	4,479,573	9,715,699	2,904,012	19,090,862	3,511,168	2,255,024
Depreciation and Amortization	110	68,787	756,022	20,344	218,697	49,365	73,920
Interest and Financing Fees	7	1,476	2,189	1,537	4,554	888	369
Total Functional Expenses	$ 24,694	$ 4,549,836	$ 10,473,910	$ 2,925,893	$ 19,314,113	$ 3,561,421	$ 2,329,313

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Program Services (Continued)				Supporting Services			
	Residential Services	Youth Services	Program Services Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 2,959,908	$ 1,684,704	$ 396,827	$ 25,823,883	$ 3,972,074	$ 994,956	$ 4,967,030	$ 30,790,913
Employee Health and Retirement Benefits	547,140	307,639	80,042	5,161,254	867,823	181,639	1,049,462	6,210,716
Payroll Taxes	207,800	121,672	28,758	1,831,670	264,334	69,345	333,679	2,165,349
Total Salaries and Related Expenses	3,714,848	2,114,015	505,627	32,816,807	5,104,231	1,245,940	6,350,171	39,166,978
Professional Fees	289,954	86,672	10,874	2,957,634	1,079,806	162,495	1,242,301	4,199,935
Supplies	317,554	45,764	26,825	1,372,631	178,620	8,939	187,559	1,560,190
Telephone	45,034	61,322	25,216	867,859	196,216	2,988	199,204	1,067,063
Postage and Shipping	1,276	2,873	8,264	50,948	13,401	6,544	19,945	70,893
Occupancy	261,558	122,444	29,385	2,657,846	713,991	10,468	724,459	3,382,305
Outside Printing	1,650	1,947	7,372	64,871	28,340	63,003	91,343	156,214
Local Transportation	58,145	117,829	16,363	1,653,994	70,643	15,125	85,768	1,739,762
Conferences and Meetings	33,960	20,271	10,050	245,842	69,525	9,930	79,455	325,297
Subscriptions and Reference	-	768	354	6,948	6,940	6,225	13,165	20,113
Specific Assistance	91,118	134,229	17,181	7,208,380	1,032	465	1,497	7,209,877
Membership Dues	90	211	1,896	16,699	87,168	2,191	89,359	106,058
Repairs, Maintenance, and Rental	21,135	5,908	1,588	122,627	52,565	160	52,725	175,352
Miscellaneous	18,254	72,527	14,923	255,103	134,653	351,158	485,811	740,914
Total Expenses Before Depreciation, Amortization, Interest, and Financing Fees	4,854,576	2,786,780	675,918	50,298,189	7,737,131	1,885,631	9,622,762	59,920,951
Depreciation and Amortization	338,066	52,315	5,250	1,582,876	92,204	571	92,775	1,675,651
Interest and Financing Fees	719	951	116	12,806	233,213	19	233,232	246,038
Total Functional Expenses	$ 5,193,361	$ 2,840,046	$ 681,284	$ 51,893,871	$ 8,062,548	$ 1,886,221	$ 9,948,769	$ 61,842,640

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.

CHILDREN'S HOME AND AID SOCIETY OF ILLINOIS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2016

	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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Children's Home and Aid Society of Illinois (the 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 (the 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 Federation for Community Schools (FCS) was an Illinois nonprofit corporation of which the Society became the sole member on June 26, 2016. The assets were combined with those of the Society and FCS was formally dissolved 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 (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 consolidated 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 trustees (the board) has discretionary control.

Temporarily Restricted Net Assets – Those resources subject to donor-imposed stipulations that may be fulfilled by actions of the board 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 its overall strategic plan which encompasses facility, endowment, and program initiatives. The campaign continues in its "silent" phase cultivating and soliciting gifts to meet its goal. In the year ended June 30, 2017, the Agency secured significant donations to support two new initiatives in children's mental health and engagement of fathers in a child's life. Fundraising continues in support of growing the Agency's endowment, of securing gifts to liquidate the debt incurred in the construction of the Jerri Hoffmann Child and Family Center, and of providing sustaining funds for other needed programs. The public phase of the campaign is being aligned with the Agency's 135th anniversary celebration, a year-long, statewide effort to raise awareness of the campaign, as well as donations at a more moderate level. The public phase will kick-off officially at the Champions for Children Luncheon in May 2018 with the campaign targeted to conclude in December 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonoperating 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.

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 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 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 nonoperating gains and losses and as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 and 2016, 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:

Buildings and Improvements	5 to 39 Years
Office Furniture and Equipment	5 to 15 Years
Automobiles	5 Years
Leasehold Improvements	4 to 10 Years

Equipment specifically funded from government sources is depreciated in full in the year of acquisition.

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, 2017 and 2016, there were no liabilities for uncertain tax positions.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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
2018	$ 1,353,358
2019	241,062
2020	190,250
2021	150,000
2022	-
Total Pledges Receivable	1,934,670
Less: Discount to Net Present Value	(77,056)
Total	$ 1,857,614

The discount rate used for the both of the years ended June 30, 2017 and 2016 was 4%.

NOTE 3 INVESTMENTS

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

	2017	2016
Fixed Income Mutual Funds	$ 4,860,842	$ 4,415,731
Equity Securities, Mutual Funds, Exchange Traded Funds, Other Funds, and Partnerships	15,055,338	13,295,904
Nonpublic Pooled Investments	3,909,671	4,548,297
Cash Equivalents and Money Market Funds	26,676	39,633
Beneficial Interest in Trusts	4,904,899	4,607,717
Other Investment	605,000	935,000
Total	$ 29,362,426	$ 27,842,282

The nonpublic pooled investments consist of private equity funds that invest primarily in diversified leveraged buyouts, venture capital companies, and other investment funds. Included in nonpublic pooled investments is 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 nonpublic, 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 based on the net asset value of the Agency's ownership interest, 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, 2017 and 2016. The market value for this fund was estimated at $430,804 and $630,575 at June 30, 2017 and 2016, respectively. The Agency has invested $1,000,000 in the SEG Partners Offshore, Ltd. Fund as of June 30, 2017 and 2016. The market value of this fund was estimated at $1,043,524 and $989,830 at June 30, 2017 and 2016, respectively. The Agency invested $1,000,000 in the MW Eureka Fund as of June 30, 2017 and 2016. The market value of this fund was estimated at $1,079,672 and $976,693 at June 30, 2017 and 2016, respectively. The market value for the Cyrus Opportunities Fund II Ltd. fund was estimated at $1,355,671 and $1,951,199 as of June 30, 2017 and 2016, respectively.

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.

NOTE 3 INVESTMENTS (CONTINUED)

Currently, the Agency is not eligible to redeem the investment in the Portfolio Advisors Private Equity Fund IV, L.P. until the later of the termination of the partnership or one year after all the assets of the partnership have been liquidated. As of June 30, 2017, the partnership has not liquidated all assets. The Agency has no other unfunded commitments for further investment in the SEG Partners Offshore, Ltd., the MW Eureka Fund, and the Cyrus Opportunities Fund II Ltd. as of June 30, 2017. There are no additional redemption restrictions on these investments as well. These investments can be liquidated with no notice period and on a daily basis.

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 years ended June 30, 2017 and 2016, the Agency liquidated 6,000 shares of the stock in each of those years at a price of $55 per share.

The composition of investment return on the Agency's investment portfolio for the years ended June 30, 2017 and 2016, is as follows:

	2017	2016
Interest and Dividend Income, Net of Fees	$ 348,444	$ 243,468
Net Realized Gains (Losses) on Sales	96,248	(94,724)
Net Unrealized Gains (Losses)	2,870,248	(1,419,805)
Total	$ 3,314,940	$ (1,271,061)

Investment fees incurred were $50,336 and $53,419 for the years ended June 30, 2017 and 2016, 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

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017, are as follows:

	2017			
	Total	Level 1	Level 2	Level 3
Equities:				
U.S. Mutual Funds	$ 8,578,283	$ 8,578,283	$ -	$ -
International Mutual Funds	5,524,425	5,524,425	-	-
Hedge Funds	952,630	952,630	-	-
Fixed Income:				
Mutual Funds	4,860,842	4,860,842	-	-
Beneficial Interest in Trusts	4,904,899	-	4,904,899	-
Other Investment	605,000	-	-	605,000
Total Assets at Fair Value	25,426,079	19,916,180	$ 4,904,899	$ 605,000
Cash and Cash Equivalents	26,676			
Nonpublic Pooled Investments	3,909,671			
Total Assets	$ 29,362,426			

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 includes 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, 2017 and 2016, 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. There were no realized or unrealized gains and losses relating to these assets still held as of June 30, 2017 and 2016.

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, 2017:

Investments:	
Balance - June 30, 2016	$ 935,000
Purchase of Investments, Net	-
Sale of Investments, Net	(330,000)
Change in Fair Value Estimate	-
Balance - June 30, 2017	$ 605,000

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of assets and liabilities measured on a recurring basis at June 30, 2016 are as follows:

	2016			
	Total	Level 1	Level 2	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	-	-
Beneficial Interest in Trusts	4,607,717	-	4,607,717	-
Other Investment	935,000	-	-	935,000
Total Assets at Fair Value	23,254,352	$ 17,711,635	$ 4,607,717	$ 935,000
Cash and Cash Equivalents	39,633			
Nonpublic Pooled Investments	4,548,297			
Total Assets	$ 27,842,282			

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	$ 935,000
Purchase of Investments, Net	-
Sale of Investments, Net	-
Change in Fair Value Estimate	-
Balance - June 30, 2016	$ 935,000

NOTE 5 LAND, BUILDINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

A summary of land, buildings, equipment, and leasehold improvements as of June 30, 2017 and 2016 follows:

	2017	2016
Land	$ 2,138,088	$ 2,138,088
Buildings and Improvements	33,071,755	31,805,990
Office Furniture and Equipment	5,777,361	5,086,236
Automobiles	194,985	194,985
Leasehold Improvements	625,409	599,107
Construction in Progress	228,776	312,113
Total at Cost	42,036,374	40,136,519
Less: Allowance for Depreciation and Amortization	17,014,386	15,592,641
Total Land, Buildings, Equipment, and Leasehold Improvements	$ 25,021,988	$ 24,543,878

NOTE 5 LAND, BUILDINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS (CONTINUED)

During the year ended June 30, 2017, the Agency replaced 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. This project was financed by internal cash and a $700,000 five-year 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 $233,250 and $125,000 in 2017 and 2016, respectively.

NOTE 6 RETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

Deferred Compensation Plan

The Agency maintains a nonqualified deferred compensation plan for certain of its executives. The Agency recognized plan expense of $75,000 for each of the years ended June 30, 2017 and 2016. In addition, the Agency allocates appreciation or depreciation to the plan based on the investment performance of the Foundation assets. This amounted to $71,056 of appreciation and $59,606 of depreciation for the years ended June 30, 2017 and 2016, 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 $468,000 and $396,000 as of June 30, 2017 and 2016, 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 $707,000 and $1,006,000 as of June 30, 2017 and 2016, 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 $33,662,531 in 2017 and $34,028,863 in 2016 of revenue received from the Illinois Department of Children and Family Services (DCFS). In addition, the Society received revenue of $6,390,658 in 2017 and $7,695,175 in 2016 from the Illinois Department of Human Services (DHS). The amount of revenue from these funding sources represents approximately 66% of the Agency’s total operating revenue and support for each of the years ended June 30, 2017 and 2016.

NOTE 7 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES (CONTINUED)

As of June 30, 2017 and 2016, the Agency's gross accounts receivable includes amounts due from the DCFS and the DHS of $4,047,791 and $4,487,134, respectively. A summary of unrestricted governmental agency revenue received, by core service, is presented below:

	2017	2016
Adoption	$ 1,700	$ -
Counseling	2,143,515	1,963,540
Child Care	9,437,895	8,978,949
Child Care Resource and Referral	3,122,670	3,108,907
Foster Care	21,940,207	22,994,062
Intact Family Services	4,848,884	3,923,176
Parental Support	1,730,111	1,795,062
Residential Services	4,861,416	5,688,431
Youth Services	2,228,550	2,829,110
Other	260,399	500,000
Total	$ 50,575,347	$ 51,781,237

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following:

Description	2017	2016
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.	$ 964,904	$ 1,049,693
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.	1,922,989	2,020,098

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description	2017	2016
Note payable to a bank with a variable interest rate. The initial monthly principal and interest payments 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 London Interbank Offered Rate (LIBOR) with an initial rate of 2.744%. The interest rate was 0.469% and and 1.06% at June 30, 2017 and 2016, respectively.	$ 2,125,000	$ 2,375,000
Note payable to a bank with interest at 3.375%. The monthly principal and interest payments are $12,695 with a final payment of $12,413. The loan is secured by a mortgage of real property and assignment of rents recorded against the property and matures September, 2021.	602,301	-
Total	$ 5,615,194	$ 5,444,791

Principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2018	$ 583,805
2019	598,995
2020	614,914
2021	631,600
2022	533,540
Thereafter	2,652,340
Total	$ 5,615,194

NOTE 9 CAPITAL LEASE OBLIGATION

During the year ended June 30, 2017, the Agency financed the purchase of new office equipment totaling $421,676 through a capital lease obligation which expires in September 2021. This office equipment is included in office furniture and equipment. Accumulated depreciation for equipment under the capital lease was $63,078 at June 30, 2017.

NOTE 9 CAPITAL LEASE OBLIGATION (CONTINUED)

The future minimum lease payments under this lease are as follows:

Year Ending June 30,	Amount
2018	$ 95,094
2019	95,094
2020	95,094
2021	95,094
2022	23,775
Thereafter	-
Total Minimum Lease Payments	404,151
Less: Amount Representing Interest	39,435
Present Value of Minimum Lease Payments	$ 364,716

NOTE 10 CREDIT FACILITIES

The Agency has a credit facility ($5,000,000 as of June 30, 2017 and 2016) with a commercial bank which was scheduled to expire on December 31, 2016. The credit facility was renewed on December 22, 2016. The renewal expires on December 31, 2017. Amounts drawn against the facility bear interest at the commercial bank's prime interest rate (4.25% and 3.50% at June 30, 2017 and 2016, respectively) less 0% and 0.5% at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the outstanding balances under this credit facility were $711,384 and $-0-, respectively. The facility contains certain restrictive covenants related to financial performance and debt limitations which management believes have been met. It is secured by cash and investments with a market value of approximately $19,943,000 and $17,752,000 at June 30, 2017 and 2016, 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 expired on October 31, 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:

	2017	2016
Residential Services	$ 149,979	$ 147,640
Counseling	678,224	526,295
Comprehensive Fundraising Campaign	1,238,465	6,813,946
Unappropriated Earnings on Permanently Restricted Endowments	2,640,310	2,259,310
Foster Care	-	60,000
Child Care	61,673	161,330
Parental Support	17,340	66,760
Youth Services	90,573	285,368
Intact Family Services	50,000	20,000
Other	284,572	132,202
Total	$ 5,211,136	$ 10,472,851

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:

	2017	2016
Donor-Restricted Endowment Funds	$ 2,606,364	$ 2,606,364
Beneficial Interest in Trusts	4,904,899	4,607,717
Other Donor Restricted	45,366	45,366
Total	$ 7,556,629	$ 7,259,447

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.

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, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 2,640,310	$ 2,606,364	$ 5,246,674
Board-Designated Endowment Funds	18,738,527	-	-	18,738,527
Total Funds	$ 18,738,527	$ 2,640,310	$ 2,606,364	$ 23,985,201

NOTE 13 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	$ 17,566,565	$ 2,259,310	$ 2,606,364	$ 22,432,239
Investment Return:				
Investment Income, Net of Fees	277,005	71,439	-	348,444
Realized and Unrealized Gains	2,122,043	547,271	-	2,669,314
Total Investment Return	2,399,048	618,710	-	3,017,758
Contributions to Endowment	-	-	-	-
Appropriation of Endowment Assets for Expenditures	(1,227,086)	(237,710)	-	(1,464,796)
Net Assets - End of Year	$ 18,738,527	$ 2,640,310	$ 2,606,364	$ 23,985,201

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 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 $1,678,717 and $1,630,806 in 2017 and 2016, respectively.

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

Year Ending June 30,	Amount
2018	$ 1,628,224
2019	1,417,832
2020	1,243,300
2021	1,179,094
2022	1,050,011
2023 and Thereafter	1,331,002
Total Future Minimum Lease Payments	$ 7,849,463

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 $241,000 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 125 S. Wacker Street Property Owner LLC and pertains to 125 South Wacker Drive, Chicago, Illinois, that automatically renews each February through 2019. 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 $374,384 as of June 30, 2017 and $521,400 as of June 30, 2016. 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.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 26, 2017, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to September 26, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the consolidated financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, 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, 2017.

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