Chicago Commons Association

Financial Report
June 30, 2017

Contents

Independent Auditor's Report

To the Board of Directors
Chicago Commons Association

Report on the Financial Statements
We have audited the accompanying financial statements of Chicago Commons Association (Commons) which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Chicago Commons Association's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
November 10, 2017

Chicago Commons Association

Statement of Financial Position
June 30, 2017 (With Comparative Totals For 2016)

	2017	2016
Assets		
Cash	**$ 45,870**	$ 228,278
Accounts receivable, net	**8,980,426**	8,459,653
Other assets	**56,251**	70,220
Contributions receivable	**248,682**	393,750
Investments	**84,981**	85,359
Property and equipment, net	**4,397,537**	4,460,934
Beneficial interest in trusts	**3,276,551**	3,021,356
	$ 17,090,298	$ 16,719,550
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 1,524,741**	$ 1,333,077
Accrued expenses	**808,371**	829,692
Line of credit	**-**	650,000
Other liability	**40,000**	50,000
Notes payable	**3,054,749**	1,855,054
	5,427,861	4,717,823
Net assets:		
Unrestricted	**7,588,586**	8,004,621
Unrestricted Board Designated - Valliere Sustainability Fund	**240,000**	240,000
Total unrestricted	**7,828,586**	8,244,621
Temporarily restricted	**480,301**	658,750
Permanently restricted	**3,353,550**	3,098,356
	11,662,437	12,001,727
	$ 17,090,298	$ 16,719,550

See notes to financial statements.

Chicago Commons Association

Statement of Activities
Year Ended June 30, 2017 (With Comparative Totals For 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Public support and revenue:					
Direct public support:					
Contributions	$ 165,381	$ 427,000	$ -	$ 592,381	$ 800,928
Allocations from trusts	146,052	-	-	146,052	115,682
Special events, net of expenses of $134,965 in 2017 and $94,179 in 2016	114,922	-	-	114,922	67,730
Indirect public support:					
Allocations by United Way	-	30,000	-	30,000	75,000
Net assets released from restrictions	635,449	(635,449)	-	-	-
	1,061,804	(178,449)	-	883,355	1,059,340
Fees and grants from governmental agencies	22,330,253	-	-	22,330,253	25,862,236
Fee for service revenue	2,753,574	-	-	2,753,574	1,158,800
Client fees and other support	351,984	-	-	351,984	416,522
Investment income	1,293	-	-	1,293	23,249
Increase (decrease) in market value beneficial interest i	-	-	255,195	255,195	(167,464)
Other income	214,486	-	-	214,486	165,394
	26,713,393	(178,449)	255,195	26,790,139	28,518,077
Expenses:					
Program services:					
Child development	13,236,113	-	-	13,236,113	12,958,683
Senior services	10,998,808	-	-	10,998,808	12,052,742
Family Hub	282,144	-	-	282,144	417,215
	24,517,065	-	-	24,517,065	25,428,640
Supporting services:					
Management and general	2,248,181	-	-	2,248,181	2,012,925
Fundraising	364,182	-	-	364,182	513,157
	2,612,363	-	-	2,612,363	2,526,082
Operating expenses	27,129,428	-	-	27,129,428	27,954,722
(Decrease) increase in net assets	(416,035)	(178,449)	255,195	(339,289)	563,355
Net assets:					
Beginning of year	8,244,622	658,750	3,098,355	12,001,727	11,438,372
End of year	$ 7,828,587	$ 480,301	$ 3,353,550	$ 11,662,438	$ 12,001,727

See notes to financial statements.

Chicago Commons Association

Statement of Functional Expenses
Year Ended June 30, 2017 (With Comparative Totals For 2016)

	Program Services			
	Child Development	Senior Services	Family Hub	Total Program Services
Functional expenses:				
Salary and wages	$ 6,404,492	$ 8,010,378	$ 85,795	$ 14,500,665
Payroll taxes and employee benefits	1,333,416	1,175,961	22,006	2,531,383
	7,737,908	9,186,339	107,801	17,032,048
Professional development, travel and	152,420	18,012	5,601	176,033
Supplies	772,724	89,615	7,090	869,429
Operating expenses	2,041,579	1,070,654	7,808	3,120,041
Professional services	549,205	34,395	131,720	715,320
Building, utilities and insurance	1,583,712	356,977	16,667	1,957,356
Equipment rental and maintenance	187,956	95,137	4,708	287,801
Depreciation and amortization	210,609	114,045	749	325,403
Interest expense	-	33,634	-	33,634
	$ 13,236,113	$ 10,998,808	$ 282,144	$ 24,517,065

Chicago Commons Association

Statement of Functional Expenses (Continued)
Year Ended June 30, 2017 (With Comparative Totals For 2016)

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2017	2016
Functional expenses:					
Salary and wages	$ 983,852	$ 214,574	$ 1,198,426	$ 15,699,091	$ 16,137,464
Payroll taxes and employee benefits	148,804	32,814	181,618	2,713,001	2,835,481
	1,132,656	247,388	1,380,044	18,412,092	18,972,945
Professional development, travel and conferences	53,800	10,554	64,354	240,387	178,262
Supplies	13,505	1,540	15,045	884,474	939,125
Operating expenses	113,505	9,925	123,430	3,243,471	3,586,311
Professional services	583,454	73,542	656,996	1,372,316	1,531,605
Building, utilities and insurance	206,833	13,962	220,795	2,178,151	1,959,674
Equipment maintenance, rentals, and repairs	18,250	1,234	19,484	307,285	324,667
Depreciation and amortization	42,448	4,348	46,796	372,199	386,511
Interest expense	83,729	1,690	85,419	119,053	75,622
	$ 2,248,181	$ 364,182	$ 2,612,362	$ 27,129,428	$ 27,954,722

Chicago Commons Association

Statement of Cash Flows
Year Ended June 30, 2017 (With Comparative Totals For 2016)

	2017	2016
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (339,289)	$ 563,355
Depreciation and amortization	372,199	386,511
(Increase) decrease in market value of beneficial interest in perpetual trusts	(255,195)	167,464
Realized and unrealized (gains) losses on investments	765	(21,208)
Changes in:		
Accounts receivable	(520,773)	(5,086,493)
Other current assets	13,969	27,544
Contributions receivable	145,068	(82,250)
Accounts payable and accrued expenses	170,344	352,232
Net cash used in operating activities	(412,912)	(3,692,845)
Cash flows from investing activities:		
Purchases of property and equipment	(308,802)	(341,270)
Liquidation of capital	-	25,000
Purchases (sales) of investments	(388)	16,284
Net cash used in investing activities	(309,190)	(299,986)
Cash flows from financing activities:		
Net (repayments) proceeds from line of credit	(650,000)	650,000
Proceeds from notes payable	1,980,000	-
Payments of notes payable	(780,305)	(111,405)
Payments of settlement obligation	(10,000)	(10,000)
Net cash provided by financing activities	539,695	528,595
Decrease in cash	(182,407)	(3,464,236)
Cash:		
Beginning of year	228,278	3,692,514
End of year	$ 45,871	$ 228,278
Supplemental disclosure of cash flow information:		
Interest paid	$ 119,053	$ 75,622

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Chicago Commons Association (Commons) is a nonprofit social services agency that partners with individuals, families and communities to overcome poverty, discrimination and isolation. Commons creates programs that promote self-sufficiency and strengthen individuals at key stages of life from child development to elderly care. Commons targets its program services to communities affected by high rates of poverty and limited educational and economic resources for families. Commons operates three core programs - Child Development, Senior Services and Family Hub, a program which engages the family members of participants in the Child Development programs. Commons bases its operations in four Chicago neighborhoods - West Humboldt Park, Pilsen, New City/Back of the Yards and Grand Boulevard.

Commons was founded in 1894 as a settlement house on the near west side of Chicago, Illinois, a neighborhood then populated by recent immigrants who were vulnerable to the largely unregulated growth of industrial, urban America. Throughout its history, Commons has successfully adjusted its programs and targeted communities to respond to changes in the needs of Chicago's neighborhoods. As in previous times, Commons continues to transform itself to ensure that resources are used in the way to make a deep and lasting impact on the people and neighborhoods that participate in its programs.

Commons receives a significant portion of its funding from city, state and federal government programs. In addition, Commons continues to raise significant private resources from individuals, corporations, foundations and through federated appeals such as the United Way.

Commons is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Basis of presentation: Commons' financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to nonprofit organizations.

Accounting standards: Commons follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to U.S. GAAP in these footnotes are to the *FASB Accounting Standards Codification*™, sometimes referred to as the Codification or ASC.

Cash: Commons maintains its cash balances in bank accounts which, at times, may exceed federally insured limits. Commons has not experienced any losses in such accounts and management believes that Commons is not exposed to any significant credit risk on cash.

Accounts receivable: Receivables are almost entirely due from governmental agencies and are valued at management's estimate of the amount that will ultimately be collected. Management recorded an allowance for doubtful accounts of $144,824 at June 30, 2017, based on specific identification of uncollectible accounts and historical collection experience.

Investments: Investments are recorded at fair value, based on quoted prices in active markets for identical assets. Changes in market value are recorded as unrealized gains (losses) and are included in Other income on the statement of activities.

Commons' investment portfolio is exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could affect the amounts reported in the statement of activities. Changes in fair value are included in net investment gains or losses on the statement of activities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment in amounts over $5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or returned are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets. These lives range from 3 to 7 years for equipment and software, 5 years for vehicles, 20 years for land improvements and 31.5 to 50 years for buildings and building improvements.

Impairment: Commons reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized.

Beneficial interest in irrevocable perpetual trusts: Commons is an income beneficiary of certain irrevocable perpetual trusts established by donors and administered by certain third-party trusts. Income allocations from such trusts have no restriction on their use and are recognized as revenue when received from the third-party trusts. Commons' beneficial interest in the assets of irrevocable perpetual trusts is carried at fair value in its statement of financial position based on the fair value of the underlying trust assets.

Other liability: Commons has accrued the remaining payments due in connection with a terminated retirement plan. Amounts accrued at June 30, 2017 and 2016, were $40,000 and $50,000, respectively.

Classification of net assets: Net assets and related activities of the various funds are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor imposed restrictions.

Unrestricted: Net assets available for support of Commons' operations and are not subject to donor-imposed restrictions. This also includes board designated funds.

Board Designated: Unrestricted net assets that have been identified by the board to be used for a specific purpose. These funds are still considered unrestricted because the net assets are not subject to donor-imposed restrictions. During fiscal year 2013, the board established the Valliere Sustainability Fund. This fund is a working capital fund that allows Commons to have the financial wherewithal to grow and respond to opportunities that arise that will result in better, more impactful services for clients. The Valliere Sustainability Fund has an initial corpus of $240,000, which is comprised of bequests received.

Temporarily Restricted: Net assets subject to donor-imposed restrictions that may or will be met either by actions of Commons or the passage of time. Temporarily restricted net assets are released and reclassified to unrestricted net assets when the restrictions have been met. Restricted amounts received in the same period in which the restrictions are satisfied are recorded in the unrestricted class.

Permanently Restricted: Net assets subject to donor-imposed restrictions requiring that the contributed assets be invested and maintained permanently by Commons. Commons may use all or part of the income earned on the related investments for unrestricted purposes.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Commons recognizes donors' unconditional promises to give cash and other assets as revenue in the period the promises are made. Contributions receivable have been recorded for amounts expected to be collected in the future. At June 30, 2017, amounts were primarily due within one year. Contributions to be received after one year are discounted to present value. Amortization of the discount is recorded as contribution revenue. No allowance for uncollectible contributions at June 30, 2017, has been provided based upon management's assessment, which includes analysis of various factors including prior collection history, type of contribution, and nature of fundraising activity.

Donors' promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met.

Contributions received with donor-imposed temporary restrictions are recorded as temporarily restricted revenue, unless satisfaction of restrictions occurs in the same year as revenue recognition, in which case the contributions are recorded as unrestricted revenue.

Donated materials and other noncash donations are recorded as contributions at their estimated fair value on the date received.

Many individuals volunteer their time and perform a variety of tasks that assist Commons with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Commons reports such contributions at their estimated fair value when received.

Fees and grants from governmental agencies: Revenue from government grants and contract agreements is recognized as it is earned. Revenue is considered earned when it is expended in accordance with the agreement. Unexpended amounts, including amounts received in advance, are recorded as advances from government agencies.

Fee for service revenue: Revenue is recognized in the fiscal year that the services are rendered.

Functional expenses: Operating expenses directly identified with a functional core program are charged to that program and, where these expenses affect more than one program, they are allocated on the basis of ratios estimated by management.

Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative data: The financial statements include certain prior year summarized comparative information in total but not in the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commons' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Commons may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Commons and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in the financial statements.

Commons files Form 990 in the U.S. federal jurisdiction and the State of Illinois. Commons is generally no longer subject to examination by the Internal Revenue Service for tax years before 2014.

Recent accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for Commons' June 30, 2019, financial statements. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early adoption is not permitted. The updated standard will be effective for Commons' June 30, 2020, financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for Commons' June 30, 2021, financial statements.

Commons is currently evaluating the impact of the adoption of the above standards on its financial statements.

Subsequent events: Commons has evaluated subsequent events for potential recognition and/or disclosure through November 10, 2017, the date the financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2017, consist of $84,981 held at the Vanguard Group in a bond market index fund.

Investment returns for fiscal year 2017 were as follows:

	Unrestricted	Permanently Restricted	Total
Interest and dividends	$ 2,058	$ -	$ 2,058
Unrealized loss on investments	(2,290)	-	(2,290)
Realized gain on sale of investments	1,525	-	1,525
Increase in beneficial interest in trusts	-	255,195	255,195
	$ 1,293	$ 255,195	$ 256,488

Note 3. Fair Value

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Commons' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For fiscal year 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2017, requiring fair value measurement. Commons assesses levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2017, there were no such instances. The following is a description of the valuation methodologies used for instruments measured at fair value:

Note 3. Fair Value (Continued)

Investment Securities

The fair value of publicly traded bond mutual fund securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Beneficial Interest in Perpetual Trusts

The fair value of Commons' beneficial interest in perpetual trusts was provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. Such trust assets are held and invested in perpetuity by third-party trustees, which are financial institutions. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Bond mutual fund	$ 84,981	$ -	$ -	$ 84,981
Beneficial interest in perpetual trusts	-	-	3,276,551	3,276,551
	$ 84,981	$ -	$ 3,276,551	$ 3,361,532

A reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) during the year ended June 30, 2017, is as follows:

	Level 3 Assets
Balance, beginning of year	$ 3,021,356
Change in value of beneficial interest in trusts	255,195
Balance, end of year	$ 3,276,551

Note 4. Property and Equipment

Property and equipment at June 30, 2017, consists of:

Land and land improvements	$ 272,675
Buildings and building improvements	4,737,681
Machinery and equipment	1,370,631
Vehicles	342,986
Construction in process	14,746
	6,738,719
Accumulated depreciation	(2,341,182)
	$ 4,397,537

Note 4. Property and Equipment (Continued)

Commons' land and buildings consist of various properties located throughout Chicago, Illinois. Depreciation expense totaled $372,199 for fiscal year 2017.

During fiscal years 2012 and 2013, Commons purchased and made improvements to a building located in the Grand Boulevard community. This facility houses senior care services and administrative offices. As part of the acquisition, Commons assumed a ground lease with the County of Cook, Illinois for the land, valued at $56,000. The original term of the ground lease is 20 years, ending December 2022. There is an option for a one-time extension of an additional 10 years. Upon termination, Commons has an option to purchase the land. Commons has capitalized the land lease within land and land improvements and is amortizing the lease annually over the remaining term.

Note 5. Beneficial Interest in Perpetual Trusts

Commons is a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that Commons, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions. Although the beneficial interest in these trusts (and any appreciation in the value of the trusts) is permanently restricted, the income from the trusts is unrestricted. The perpetual trusts' names, Commons' percentage interests and balances at June 30, 2017, are as follows:

	Percentage Interest	
Hobart Williams Charitable Trust	10.00%	$ 2,263,796
Frank W. Thurston Chicago Community Trust	25.00%	939,048
Emaroy June Benevolent Fund	3.28%	73,707
		$ 3,276,551

Note 6. Line of Credit

Commons has a line of credit agreement with US Bank which expires on June 30, 2018, and provides for maximum borrowings of $5,000,000 with an interest rate of LIBOR plus 3.0 percent. Any borrowings are collateralized by bank deposits and a security interest in Commons' accounts receivable. Commons was in violation of certain covenants as of June 30, 2017 (Note 7). Outstanding borrowings at June 30, 2017, totaled $0.

Note 7. Notes Payable

Commons' notes payable consisted of the following at June 30, 2017:

Note payable to IFF, dated July 2016, for $1,980,000 which refinanced a US Bank loan for Nia Family Center and New City Family Center. The note carries a fixed interest rate of 3.55 percent for seven years; interest is paid quarterly and principal is due on July 28, 2023. The note is secured by a mortgage security agreement in connection with the Nia Family Center.	$	1,980,000
Note payable to US Bank, dated June 2014, for $1,280,000 for Commons' Grand Boulevard facility. The note is payable in monthly installments of $8,994 including a fixed interest rate of 3.25 percent through July 2019, at which time a balloon payment is due. The note is secured by a mortgage security agreement in connection with the Grand Boulevard facility.		1,074,749
	$	3,054,749

The debt agreements with US Bank require compliance with various covenants, including a minimum debt service coverage ratio. Commons was in violation of certain of these covenants as of June 30, 2017, however, these violations have been waived by the bank.

Future payments due on the notes at June 30, 2017, are as follows:

2018	$	74,098
2019		76,542
2020		924,109
2021		-
2022		-
Thereafter		1,980,000
	$	3,054,749

Note 8. Retirement Plan Benefits

Commons has a savings and retirement plan for employees who are 21 years of age and are United States citizens. An employee (other than an excluded employee) becomes a participant in the elective deferral portion of the plan on the first day of employment with Commons. To become a participant in the non-elective contribution portion (matching contributions), an employee must have attained 21 years of age. Commons may contribute a discretionary matching contribution of 50 percent of a participant's elective deferral, limited to 4 percent of a participant's compensation per payroll period (previously 3 percent). Participants are immediately vested in their payroll deferral contributions. Vesting in Commons' contribution portion is based on years of continuous service. A participant is 100 percent vested after three years of eligible service. Employer contributions to the plan were $94,244 for 2017.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for current and long-term purposes as follows at June 30, 2017:

Child development	$ 44,674
Youth Services	113,823
Family Hub	305,960
Senior Care	15,844
	$ 480,301

Note 10. Leases and Commitments

Commons is obligated under various occupancy and equipment leases expiring through fiscal year 2022. Annual future minimum lease payments related to these leases at June 30, 2017, are approximately as follows:

2018	$ 696,395
2019	382,106
2020	331,571
2021	263,151
2022	174,855
	$ 1,848,078

Total lease payments under operating leases in fiscal year 2017 were $929,075.

Commons is a party to a master services agreement for financial and accounting services with terms through 2022. Commons will be responsible for monthly fees for services rendered and reimbursement of expenses. Certain fees may also be payable if Commons terminates the arrangement.

Note 11. Supporting Agencies

Commons received approximately 84 percent of operating revenue in the form of fees and grants from governmental agencies. This support is subject to review and final determination by the granting agencies. Commons does not anticipate any significant adjustment upon final review and determination.