

Chicago Commons Association

Financial Report
June 30, 2018

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
December 17, 2018

Chicago Commons Association

**Statement of Financial Position
June 30, 2018 (With Comparative Totals For 2017)**

	2018	2017
Assets		
Cash	\$ 1,033,917	\$ 45,871
Accounts receivable, net	7,755,342	8,980,426
Other current assets	70,332	56,251
Contributions receivable	518,617	248,682
Investments	84,531	84,981
Property and equipment, net	4,031,535	4,397,537
Beneficial interest in trusts	3,481,472	3,276,551
	<u>\$ 16,975,746</u>	<u>\$ 17,090,299</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,182,792	\$ 1,524,741
Accrued expenses	839,236	808,371
Accrued settlement and retirement obligations	33,811	40,000
Notes payable	2,981,135	3,054,749
	<u>5,036,974</u>	<u>5,427,861</u>
Net assets:		
Unrestricted	7,337,653	7,588,587
Unrestricted Board Designated - Valliere Sustainability Fund	240,000	240,000
Total Unrestricted	<u>7,577,653</u>	<u>7,828,587</u>
Temporarily restricted	802,648	480,301
Permanently restricted	3,558,471	3,353,550
	<u>11,938,772</u>	<u>11,662,438</u>
	<u>\$ 16,975,746</u>	<u>\$ 17,090,299</u>

See notes to financial statements.

Chicago Commons Association

Statement of Activities Year Ended June 30, 2018 (With Comparative Totals For 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public support and revenue:					
Direct public support:					
Contributions	\$ 427,221	\$ 797,357	\$ -	\$ 1,224,578	\$ 592,381
Allocations from trusts	79,672	-	-	79,672	146,052
Special events, net of expenses of \$114,136 in 2018 and \$134,965 in 2017	109,038	-	-	109,038	114,922
Indirect public support:					
Allocations by United Way	30,000	(30,000)	-	-	30,000
Net assets released from restrictions	445,010	(445,010)	-	-	-
	1,090,941	322,347	-	1,413,288	883,355
Fees and grants from governmental agencies	22,567,703	-	-	22,567,703	22,330,252
Fee for service revenue	3,251,779	-	-	3,251,779	2,753,574
Client fees and other support	225,427	-	-	225,427	351,984
Investment income (loss)	(899)	-	-	(899)	1,293
Increase in beneficial interest in trusts	-	-	204,921	204,921	255,195
Other income	161,718	-	-	161,718	214,486
	27,296,669	322,347	204,921	27,823,937	26,790,139
Expenses:					
Program services:					
Child development	13,262,955	-	-	13,262,955	13,236,113
Senior services	11,274,921	-	-	11,274,921	10,998,808
Family Hub services	209,768	-	-	209,768	282,144
	24,747,644	-	-	24,747,644	24,517,065
Supporting services:					
Management and general	2,394,187	-	-	2,394,187	2,248,181
Fundraising	405,772	-	-	405,772	364,182
	2,799,959	-	-	2,799,959	2,612,363
Operating expenses	27,547,603	-	-	27,547,603	27,129,428
Increase (decrease) in net assets	(250,934)	322,347	204,921	276,334	(339,289)
Net assets:					
Beginning of year	7,828,587	480,301	3,353,550	11,662,438	12,001,727
End of year	\$ 7,577,653	\$ 802,648	\$ 3,558,471	\$ 11,938,772	\$ 11,662,438

See notes to financial statements.

Chicago Commons Association

Statement of Functional Expenses

Year Ended June 30, 2018 (With Comparative Totals For 2017)

	Program Services			Total Program Services
	Child Development	Senior Services	Family Hub	
Functional expenses:				
Salary and wages	\$ 6,334,191	\$ 8,290,348	\$ 97,038	\$ 14,721,577
Payroll taxes and employee benefits	1,345,308	1,180,757	14,625	2,540,690
	<u>7,679,499</u>	<u>9,471,105</u>	<u>111,663</u>	<u>17,262,267</u>
Professional development, travel and conferences	115,597	18,306	5,895	139,798
Supplies	782,029	76,411	11,313	869,754
Operating expenses	2,069,877	1,120,263	19,044	3,209,182
Professional services	811,364	23,091	43,740	878,195
Building, utilities and insurance	1,445,835	346,892	12,813	1,805,540
Equipment rental and maintenance	138,614	76,371	3,801	218,786
Depreciation and amortization	220,140	119,508	1,499	341,147
Interest expense	-	22,974	-	22,974
	<u>\$ 13,262,955</u>	<u>\$ 11,274,921</u>	<u>\$ 209,768</u>	<u>\$ 24,747,644</u>

See notes to financial statements.

Chicago Commons Association

**Statement of Functional Expenses (Continued)
Year Ended June 30, 2018 (With Comparative Totals For 2017)**

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2018	2017
Functional expenses:					
Salary and wages	\$ 1,050,068	\$ 169,439	\$ 1,219,507	\$ 15,941,084	\$ 15,699,091
Payroll taxes and employee benefits	158,366	23,614	181,980	2,722,670	2,713,001
	<u>1,208,434</u>	<u>193,053</u>	<u>1,401,487</u>	<u>18,663,754</u>	<u>18,412,092</u>
Professional development, travel and conferences	49,101	10,852	59,953	199,751	240,387
Supplies	13,060	13,952	27,012	896,766	884,474
Operating expenses	71,538	73,948	145,486	3,354,668	3,243,471
Professional services	764,810	92,877	857,687	1,735,882	1,372,316
Building, utilities and insurance	148,930	10,924	159,854	1,965,394	2,178,151
Equipment rental and maintenance	10,731	4,378	15,109	233,895	307,285
Depreciation and amortization	44,961	4,634	49,595	390,742	372,199
Interest expense	82,622	1,154	83,776	106,750	119,053
	<u>\$ 2,394,187</u>	<u>\$ 405,772</u>	<u>\$ 2,799,959</u>	<u>\$ 27,547,602</u>	<u>\$ 27,129,428</u>

See notes to financial statements.

Chicago Commons Association

Statement of Cash Flows

Year Ended June 30, 2018 (With Comparative Totals For 2017)

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 276,334	\$ (339,289)
Depreciation and amortization	390,742	372,199
Increase in market value of beneficial interest in perpetual trusts	(204,921)	(255,195)
Realized and unrealized losses on investments	3,114	765
Changes in:		
Accounts receivable	1,225,084	(520,773)
Other current assets	(14,081)	13,969
Contributions receivable	(269,935)	145,068
Accounts payable and accrued expenses	(311,084)	170,344
Net cash provided by (used in) operating activities	1,095,253	(412,912)
Cash flows from investing activities:		
Purchases of property and equipment	(24,740)	(308,802)
Purchases of investments	(2,664)	(388)
Net cash used in investing activities	(27,404)	(309,190)
Cash flows from financing activities:		
Net repayment of line of credit	-	(650,000)
Net proceeds from notes payable	-	1,980,000
Payments of notes payable	(73,614)	(780,305)
Repayments of settlement obligation	(6,189)	(10,000)
Net cash (used in) provided by financing activities	(79,803)	539,695
Increase (decrease) in cash	988,046	(182,407)
Cash:		
Beginning of year	45,871	228,278
End of year	\$ 1,033,917	\$ 45,871
Supplemental disclosure of cash flow information:		
Interest paid	\$ 106,750	\$ 119,053

See notes to financial statements.

Chicago Commons Association

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, and bases its operations in four Chicago, Illinois 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, 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 and foundations.

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 CodificationTM*, 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 \$141,929 at June 30, 2018, 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).

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.

Chicago Commons Association

Notes to Financial Statements

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.

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 received bequests.

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.

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, 2018, 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, 2018, 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.

Chicago Commons Association

Notes to Financial Statements

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

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 Commons' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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.

Chicago Commons Association

Notes to Financial Statements

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

Commons files Form 990 in the U.S. federal jurisdiction and the state of Illinois.

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 Common's 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 Common's 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 Common's June 30, 2021 financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for Commons' 2020 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 December 17, 2018, the date the financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2018, consist of \$84,531 held at the Vanguard Group in a bond market index fund.

Investment returns for fiscal year 2018 were as follows:

	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 2,215	\$ -	\$ 2,215
Unrealized loss on investments	(2,561)	-	(2,561)
Realized gain on sale of investments	(553)	-	(553)
Increase in beneficial interest in trusts	-	204,921	204,921
	<u>\$ (899)</u>	<u>\$ 204,921</u>	<u>\$ 204,022</u>

Chicago Commons Association

Notes to Financial Statements

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 highest 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 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. 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, 2018, there were no such instances. The following is a description of the valuation methodologies used for instruments measured at fair value:

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.

Chicago Commons Association

Notes to Financial Statements

Note 3. Fair Value (Continued)

	Fair Value Measurements Using			Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Bond mutual fund	\$ 84,531	\$ -	\$ -	\$ 84,531
Beneficial interest in perpetual trusts	-	-	3,481,472	3,481,472
	<u>\$ 84,531</u>	<u>\$ -</u>	<u>\$ 3,481,472</u>	<u>\$ 3,566,003</u>

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, 2018, is as follows:

	Level 3 Assets
Balance, beginning of year	\$ 3,276,551
Change in value of beneficial interest in trusts	204,921
Balance, end of year	<u>\$ 3,481,472</u>

Note 4. Property and Equipment

Property and equipment at June 30, 2018, consists of:

Land and land improvements	\$ 272,675
Buildings and building improvements	4,762,421
Machinery and equipment	1,370,631
Vehicles	342,986
Construction in process	14,746
	<u>6,763,459</u>
Accumulated depreciation	(2,731,924)
	<u>\$ 4,031,535</u>

Commons' land and buildings consist of various properties located throughout Chicago, Illinois.

Depreciation expense totaled \$390,742 for fiscal year 2018.

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 and is amortizing the lease annually over the remaining term.

Chicago Commons Association

Notes to Financial Statements

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, 2018, are as follows:

	<u>Percentage Interest</u>	
Hobart Williams Charitable Trust	10.00%	\$ 2,373,854
Frank W. Thurston Chicago Community Trust	25.00%	1,032,449
Emaroy June Benevolent Fund	3.28%	75,169
		<u>\$ 3,481,472</u>

Note 6. Line of Credit

Commons has a line of credit agreement with a commercial bank which expires on June 30, 2018, and provides for maximum borrowings of \$5,000,000 with an interest rate equal to 3.0 percent. Any borrowings are collateralized by bank deposits and a security interest in Commons' accounts receivable. The agreement requires Commons' compliance with various covenants, including a minimum debt service coverage ratio. There were no outstanding borrowings at June 30, 2018.

Note 7. Notes Payable

Commons' notes payable consisted of the following at June 30, 2018:

Note payable to IFF, dated July 2016, for \$1,980,000 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. Commons intends to refinance this loan before it becomes due. The note is secured by a mortgage security agreement in connection with the Grand Boulevard facility.	1,001,135
	<u>\$ 2,981,135</u>

Chicago Commons Association

Notes to Financial Statements

Note 7. Notes Payable (Continued)

Future payments due on the notes at June 30, 2018, are as follows:

2019	\$	76,300
2020		924,835
2021		-
2022		-
2023		-
Thereafter		1,980,000
	\$	<u>2,981,135</u>

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. 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 \$82,277 for 2018.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for current and long-term purposes as follows at June 30, 2018:

Child development	\$	33,283
Youth Services		117,316
Family Hub		630,884
Senior Care		21,165
	\$	<u>802,648</u>

Chicago Commons Association

Notes to Financial Statements

Note 10. Leases and Commitments

Commons is obligated under various occupancy and equipment leases expiring through fiscal year 2023. Annual future minimum lease payments related to these leases at June 30, 2018, are approximately as follows:

2019	\$ 686,196
2020	443,265
2021	252,533
2022	40,915
2023	13,103
	<u>\$ 1,436,012</u>

Total rent expense in fiscal year 2018 was \$782,294.

Commons is a party to a master services agreement for financial and accounting services with an initial term through 2017; the agreement was amended to extend the term through 2021. 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 81 percent of 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.