

YOUTHBUILD LAKE COUNTY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
YouthBuild Lake County, Inc.
North Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of YOUTHBUILD LAKE COUNTY, INC. and its wholly-owned subsidiary, YOUTHBUILD LAKE COUNTY SERVICES, LLC (both Illinois nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 on the auditor's 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 YOUTHBUILD LAKE COUNTY, INC. as of June 30, 2018 and 2017, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady + Davis LLP

December 14, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 294,940	\$ 342,002
Restricted Cash	30,080	71,939
Grants and Contracts Receivable	552,642	253,321
Contributions Receivable	20,000	500
Property Held for Sale	104,435	2,500
Prepaid Expenses	19,815	20,662
Total Current Assets	<u>1,021,912</u>	<u>690,924</u>
PROPERTY AND EQUIPMENT		
Computers and Software	73,244	71,864
Leasehold Improvements	8,848	8,848
Furniture and Equipment	31,568	31,568
Vehicles	47,432	45,573
	<u>161,092</u>	<u>157,853</u>
Less Accumulated Depreciation and Amortization	129,271	99,629
	<u>31,821</u>	<u>58,224</u>
OTHER ASSETS		
Unallocated In-Kind Construction Materials	7,400	9,500
Construction Projects in Progress	18,000	119,935
Total Other Assets	<u>25,400</u>	<u>129,435</u>
	<u>\$ 1,079,133</u>	<u>\$ 878,583</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 215,581	\$ —
Accounts Payable	43,340	8,039
Accrued Salaries and Vacation	5,631	40,347
Accrued Expenses	21,504	3,743
Recoupment Payable	75,850	75,850
Refundable Advances	40,000	22,212
State Advance Payable	—	39,617
Deferred Revenue	38,580	31,054
Total Current Liabilities	<u>440,486</u>	<u>220,862</u>
NET ASSETS		
Unrestricted	579,630	604,537
Temporarily Restricted	59,017	53,184
Total Net Assets	<u>638,647</u>	<u>657,721</u>
	<u>\$ 1,079,133</u>	<u>\$ 878,583</u>

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Public Support						
Contributions and Grants	\$ 145,256	\$ 192,701	\$ 337,957	\$ 143,443	\$ 174,500	\$ 317,943
In-Kind Contributions	103,854	—	103,854	117,889	—	117,889
Special Events						
Gross Event Revenues	176,963	28,650	205,613	222,731	36,600	259,331
Less: Direct Expenses	(69,522)	—	(69,522)	(85,135)	—	(85,135)
Net Special Events	107,441	28,650	136,091	137,596	36,600	174,196
Government Grants and Contracts	823,267	7,500	830,767	847,092	—	847,092
Total Public Support	1,179,818	228,851	1,408,669	1,246,020	211,100	1,457,120
Other Revenues and Gains	9,188	—	9,188	34,086	—	34,086
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of Restrictions	223,018	(223,018)	—	254,651	(254,651)	—
Total	1,412,024	5,833	1,417,857	1,534,757	(43,551)	1,491,206
FUNCTIONAL EXPENSES AND LOSSES						
Functional Expenses						
Program Services						
Education and Training	1,066,274	—	1,066,274	1,135,362	—	1,135,362
Supporting Services						
Management and General	195,633	—	195,633	199,336	—	199,336
Fundraising	172,924	—	172,924	198,631	—	198,631
Total Supporting Services	368,557	—	368,557	397,967	—	397,967
Total Functional Expenses	1,434,831	—	1,434,831	1,533,329	—	1,533,329
Impairment Losses	2,100	—	2,100	—	—	—
Repayment of Prior Grant Award Related to Property Sales (Note 9)	—	—	—	181,545	—	181,545
Loss on Sale or Disposition of Property	—	—	—	14,154	—	14,154
Total	1,436,931	—	1,436,931	1,729,028	—	1,729,028
CHANGE IN NET ASSETS	(24,907)	5,833	(19,074)	(194,271)	(43,551)	(237,822)
Net Assets, Beginning	604,537	53,184	657,721	798,808	96,735	895,543
NET ASSETS, ENDING	\$ 579,630	\$ 59,017	\$ 638,647	\$ 604,537	\$ 53,184	\$ 657,721

See accompanying notes.

 CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program Services		Support Services		Total Expenses
	Education and Training	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 527,803	\$ 101,778	\$ 98,722	\$ 200,500	\$ 728,303
Employee Benefits	6,790	1,536	1,293	2,829	9,619
Payroll Taxes	46,490	8,965	8,696	17,661	64,151
Background Checks	2,915	—	—	—	2,915
Bank Charges and Credit Card Fees	—	2,631	4,377	7,008	7,008
Carrying Costs	6,898	—	—	—	6,898
Computer Expense	4,283	—	2,777	2,777	7,060
Conferences, Meetings, and Events	12,098	3,477	2,531	6,008	18,106
Counseling and Wellness Services	145,600	—	—	—	145,600
Depreciation and Amortization	23,811	5,831	—	5,831	29,642
Dues, Subscriptions and Licenses	2,947	2,759	791	3,550	6,497
Instructional Materials	2,896	—	—	—	2,896
Insurance	46,016	4,678	2,656	7,334	53,350
Interest	—	4,054	—	4,054	4,054
Miscellaneous	2,500	1,302	—	1,302	3,802
Occupancy	29,388	10,421	2,173	12,594	41,982
Office Expense, Supplies and Postage	6,512	3,679	2,958	6,637	13,149
Outreach and Recruitment	1,641	—	240	240	1,881
Printing	—	—	4,004	4,004	4,004
Professional Fees	39,037	35,961	38,542	74,503	113,540
Telephone	1,671	8,469	—	8,469	10,140
Trainee Service Gear	6,869	—	—	—	6,869
Trainee Stipends and Meals	89,580	—	66	66	89,646
Training	19,614	—	1,560	1,560	21,174
Transportation Assistance	1,812	—	—	—	1,812
Travel	12,944	92	1,538	1,630	14,574
Tuition and Books	19,921	—	—	—	19,921
Vehicles Expense	6,238	—	—	—	6,238
TOTALS	\$ 1,066,274	\$ 195,633	\$ 172,924	\$ 368,557	\$ 1,434,831

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2017

	Program Services		Support Services		Total Expenses
	Education and Training	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 609,187	\$ 108,523	\$ 114,441	\$ 222,964	\$ 832,151
Payroll Taxes	51,253	9,130	9,628	18,758	70,011
Background Checks	3,293	—	—	—	3,293
Bank Charges and Credit Card Fees	—	1,758	7,204	8,962	8,962
Carrying Costs	11,174	—	—	—	11,174
Computer Expense	3,536	—	180	180	3,716
Conferences, Meetings, and Events	4,655	1,657	2,462	4,119	8,774
Counseling and Wellness Services	133,200	—	—	—	133,200
Depreciation and Amortization	22,229	6,308	3,760	10,068	32,297
Dues, Subscriptions and Licenses	1,510	1,556	587	2,143	3,653
Instructional Materials	7,531	—	—	—	7,531
Insurance	43,886	10,438	4,578	15,016	58,902
Interest	—	4,481	—	4,481	4,481
Miscellaneous	1,500	1,857	—	1,857	3,357
Occupancy	33,349	4,893	1,528	6,421	39,770
Office Expense, Supplies and Postage	2,752	6,776	1,599	8,375	11,127
Outreach and Recruitment	1,386	—	140	140	1,526
Printing	—	—	4,098	4,098	4,098
Professional Fees	26,368	33,357	46,692	80,049	106,417
Telephone	3,569	6,839	—	6,839	10,408
Trainee Service Gear	19,051	—	106	106	19,157
Trainee Stipends and Meals	99,029	—	—	—	99,029
Training	10,839	1,320	900	2,220	13,059
Transportation Assistance	1,740	—	—	—	1,740
Travel	16,137	443	728	1,171	17,308
Tuition and Books	22,890	—	—	—	22,890
Vehicles Expense	5,298	—	—	—	5,298
TOTALS	\$ 1,135,362	\$ 199,336	\$ 198,631	\$ 397,967	\$ 1,533,329

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (19,074)</u>	<u>\$ (237,822)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation and Amortization	29,642	32,297
Donated Property and Equipment	—	(10,780)
Donated Stock	—	(5,030)
Proceeds from Sales of Donated Stock	—	5,030
Impairment Losses	2,100	—
Loss on Disposal of Property	—	14,154
(Increase) Decrease in Assets		
Restricted Cash	41,859	(55)
Grants and Contracts Receivable	(299,321)	107,909
Contributions Receivable	(19,500)	14,258
Other Receivables	—	7,525
Prepaid Expenses	847	14,414
Increase (Decrease) in Liabilities		
Accounts Payable	35,301	(17,013)
Accrued Salaries and Vacation	(34,716)	2,826
Accrued Expenses	17,761	(1,493)
Recoupment Payable	—	75,850
Refundable Advances	17,788	22,212
State Advance Payable	(39,617)	17,405
Deferred Revenue	7,526	(68,618)
Total Adjustments	<u>(240,330)</u>	<u>210,891</u>
Net Cash Used by Operating Activities	<u>(259,404)</u>	<u>(26,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on Sales of Properties, net of Closing Costs	—	75,850
Purchases of Property and Equipment	(3,239)	(19,049)
Capital Expenditures for Properties Held for Sale	<u>—</u>	<u>(10,095)</u>
Net Cash Provided (Used) by Investing Activities	<u>(3,239)</u>	<u>46,706</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	215,581	81,749
Repayments of Line of Credit	<u>—</u>	<u>(248,305)</u>
Net Cash Provided (Used) by Financing Activities	<u>215,581</u>	<u>(166,556)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,062)	(146,781)
Cash and Cash Equivalents, Beginning	<u>342,002</u>	<u>488,783</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ 294,940	\$ 342,002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 4,054</u>	<u>4,481</u>
Noncash Activities		
Donated Goods	<u>\$ 4,711</u>	<u>\$ 15,409</u>
Donated Services	<u>\$ 89,850</u>	<u>\$ 85,665</u>
Donated Facilities	<u>\$ 9,293</u>	<u>\$ 6,035</u>
Transfer Between Construction in Progress and Property Held for Sale	<u>\$ 101,935</u>	<u>\$ —</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

YBLC, Inc. d/b/a YouthBuild Lake County, Inc. (YBLC) provides education and career training services to help at-risk and underserved young adults complete their education, learn the necessary skills to become gainfully employed or enter post-secondary training. YBLC provides career training in the areas of construction, healthcare and transportation. The Organization also builds and rehabilitates affordable homes in Lake County, Illinois, to help youth build a hopeful future for themselves and their families. YBLC Services, LLC d/b/a YouthBuild Lake County Services, LLC, a wholly-owned subsidiary of YBLC, provides internships for students. Collectively, these entities are referred to as “the Organization”. YBLC’s primary sources of revenues are government grants, private grants, and contributions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization’s consolidated financial statements. The consolidated financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

BASIS OF PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification topic related to “Financial Statements of Not-for-Profit Organizations.” This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). At June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSOLIDATION

The consolidated financial statements of the Organization include the accounts of YBLC, Inc. d/b/a YouthBuild Lake County, Inc. and its wholly-owned subsidiary, YBLC Services, LLC d/b/a YouthBuild Lake County Services, LLC. YBLC Services, LLC provides student internships and projects. All material intercompany transactions and balances have been eliminated.

A majority of the assets and revenues are related to YouthBuild Lake County, Inc.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CONCENTRATIONS

The Organization received 59% and 57% of its total revenues for the year ended June 30, 2018 and 2017, respectively, from government grants and contracts. Receivables from government agencies at June 30, 2018 and 2017 represent 88% and 99%, respectively, of total grants and contracts receivable. This amount represents four grantors for the year ending June 30, 2018 and one grantor represents 80% of the total for the year ending June 30, 2017.

CASH AND CASH EQUIVALENTS

The Organization considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

GRANTS AND CONTRACTS RECEIVABLE, CONTRIBUTIONS AND OTHER RECEIVABLES

The Organization reports grants receivable from government agencies, contributions and other receivables at net realizable value. Management determines an allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against earnings. No allowance was considered necessary as of June 30, 2018 and June 30, 2017, as the Organization believed the amounts to be fully collectible.

PROPERTY HELD FOR SALE

The Organization holds various properties available for sale due to the completion of construction projects. Fair values for these properties are determined by the fair value of similar properties in the same neighborhood area based on market appraisals.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchases of \$1,000 or more are stated at cost when purchased or fair value if donated. Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is reflected in the statements of activities.

Property and equipment are depreciated or amortized over the following useful lives:

Computers and Software.....	3 years
Furniture and Equipment.....	3 years
Leasehold Improvements	5 years
Vehicles	3–5 years

Depreciation and amortization expense was \$29,642 for the year ended June 30, 2018 and \$32,297 for the year ended June 30, 2017 and is included in program and supporting services in the statements of activities.

Software amortization expense for the next two years is as follows:

Year Ending June 30	
2019	\$ 7,240
2020	<u>2,774</u>
	<u>\$ 10,014</u>

Amortization expense was \$9,974 for the year ended June 30, 2018 and \$8,356 for the year ended June 30, 2017, and is included in the total depreciation and amortization amount on the statements of functional expenses.

UNALLOCATED IN-KIND CONSTRUCTION MATERIAL

The Organization received donated materials several years ago which it has not used or been unable to fully sell. A write down of \$2,100 was made during the year ended June 30, 2018, to bring the materials to their estimated fair value. No write down of the materials was deemed necessary for the year ended June 30, 2017.

CONSTRUCTION PROJECTS IN PROGRESS

Construction projects in progress include both direct costs incurred and in-kind contributions of materials related to the properties under construction in North Chicago and Zion, Illinois.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**CONTRIBUTIONS**

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

GRANTS AND DEFERRED REVENUE

Federal, state and other grant awards are recognized in the period in which they are expended for cost reimbursement agreements. Amounts received under these grants that have not yet been expended are recorded as deferred revenue. Certain grantors involved in exchange transactions may specify monies be used in a specific future period and, as such, they are initially recorded as deferred revenue by the Organization, and are then recognized in the period for which they were designated.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to program or support service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

INCOME TAX STATUS

The Organization has received a favorable determination letter stating its exemption from federal income tax on all income related to its tax-exempt purpose under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois.

The Organization adopted the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the State's Attorney General for the State of Illinois.

NOTE 2—RESTRICTED CASH

Restricted cash of \$30,080 at June 30, 2018 and \$71,939 at June 30, 2017 is comprised of amounts contributed by the Illinois Department of Commerce and Economic Opportunity. The grantor stipulated that the funds and any interest thereon be segregated from the Organization's unrestricted bank accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3—FAIR VALUE MEASUREMENTS

The FASB Codification topic related to fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Level 1 Fair Value Measurements

The Organization did not value any assets using level 1 inputs as of June 30, 2018 and 2017.

Level 2 Fair Value Measurements

The Organization did not value any assets using level 2 inputs as of June 30, 2018 and 2017.

Level 3 Fair Value Measurements

The fair value of property held for sale is based on fair value of similar properties in the same neighborhood area as of June 30, 2018 and 2017.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3—FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a nonrecurring basis at June 30, 2018 and 2017 which are all valued at level 3 are as follows:

	<u>2018</u>	<u>2017</u>
1700 16 th Street, North Chicago, Illinois (land only).....	\$ 2,500	\$ 2,500
2015 Elim	12,232	—
2201 Horeb	<u>89,703</u>	<u>—</u>
	<u>\$ 104,435</u>	<u>\$ 2,500</u>

There was no impairment loss for the year ended June 30, 2018 and 2017.

NOTE 4—CONDITIONAL GRANTS

During the year ended June 30, 2018, the Organization was awarded a \$40,000 match grant, receivable over two years. The grant is conditional on the Organization raising funds from new private donors, or receiving additional incremental donations from current private donors, up to \$5,000 per donor. The Organization met the conditions for the first year of the grant as of June 30, 2018, and recognized \$20,000. No conditional grants were awarded during the year ended June 30, 2017.

NOTE 5—PROPERTY HELD FOR SALE

Property held for sale as of June 30, consisted of the following:

	<u>2018</u>	<u>2017</u>
1700 16 th Street, North Chicago, Illinois (land only).....	\$ 2,500	\$ 2,500
2015 Elim	12,232	—
2201 Horeb	<u>89,703</u>	<u>—</u>
	<u>\$ 104,435</u>	<u>\$ 2,500</u>

NOTE 6—CONSTRUCTION PROJECTS IN PROGRESS

A summary of construction projects in process and in-kind contributions by property as of June 30, 2018 were as follows:

	<u>In Kind</u>	<u>Total</u>
2121 Honore	\$ 14,625	\$ 9,000
2127 Honore	<u>14,625</u>	<u>9,000</u>
	<u>\$ 29,250</u>	<u>\$ 18,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6—CONSTRUCTION PROJECTS IN PROGRESS (Continued)

A summary of construction costs and in kind contributions by property as of June 30, 2017 were as follows:

	<u>In Kind</u>	<u>Total</u>
2015 Elim	\$ 22,000	\$ 12,232
2121 Honore	14,625	9,000
2127 Honore	14,625	9,000
2201 Horeb	<u>—</u>	<u>89,703</u>
	<u>\$ 51,250</u>	<u>\$ 119,935</u>

During the year ended June 30, 2018, no additions were made to the properties. The properties at 2013 Elim and 2201 Horeb were transferred to Properties Held for Sale, as they are now actively being marketed.

During the year ended June 30, 2017, the property located at 1821 Joanna had \$7,160 of additional construction and was sold for \$75,850, which represents the recoupment payable on the statements of financial position (see Note 9). The properties located at 2015 Elim and 2201 Horeb had \$232 and \$2,703, respectively, of additions made during the year.

In prior years, 2121 and 2127 Honore were written down to their estimated fair values of \$9,000.

NOTE 7—LINE OF CREDIT

The Organization has a \$250,000 revolving line of credit with a current maturity date of March 1, 2019. The line bears interest at the prime rate (5.00% at June 30, 2018), with a 4% minimum and is collateralized by a commercial security agreement on the assets of the Organization. The outstanding balance at June 30, 2018 was \$215,581 and \$-0- at June 30, 2017. The outstanding principal balance of the line must be at a zero balance for a period of 30 consecutive days during the borrowing period. Interest expense was \$4,054 for the year ended June 30, 2018 and \$4,481 for the year ended June 30, 2017.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

	<u>2018</u>	<u>2017</u>
Mission Moment for Spring Benefit – Programs	\$ 28,650	\$ 36,600
YouthBuild USA – Mental Toughness	—	1,156
Bridge to College.....	10,000	—
PGIM Programs	7,367	13,143
Lake County Community Foundation – Salesforce Database	—	2,285
Wellness Program	<u>13,000</u>	<u>—</u>
	<u>\$ 59,017</u>	<u>\$ 53,184</u>

Net assets released from donor restrictions by fulfillment of restricted purposes were \$186,418 and \$234,651 for the years ended June 30, 2018 and 2017, respectively. Net assets released from time restrictions were \$36,600 and \$20,000 for the years ended June 30, 2018 and 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—GOVERNMENT GRANTS AND CONTRACTS

	<u>2018</u>	<u>2017</u>
AmeriCorps	\$ 96,774	\$ 134,031
Department of Commerce and Economic Opportunity	107,409	4,494
Department of Housing and Urban Development –		
Community Development Block Grants/Entitlement Grants.....	31,632	18,299
Home Investment Partnerships Program	-	8,117
Department of Labor – YouthBuild.....	501,668	574,987
County of Lake, Illinois	7,500	-
Waukegan Township, Illinois	1,000	-
WIOA - Workforce Development Dept. of Lake County.....	<u>84,784</u>	<u>107,164</u>
	<u>\$ 830,767</u>	<u>\$ 847,092</u>

In the year ended June 30, 2017, the Organization was notified by the Lake County Consortium Housing Fund that the U.S. Department of Housing and Urban Development was recouping \$181,545 from the Home Investment Partnerships Program grants from fiscal years 2006, 2007, 2009 and 2011. This amount was calculated as a percentage of the proceeds from the home sales based on the Organization's and grantor's investment as a percent of the total. This amount has been reflected on the statements of activities as an additional loss on sales of property as it relates to reimbursed expenditures incurred in prior years that were used in calculating the original loss on sales of properties. Additionally, \$75,850 of this amount was still outstanding at June 30, 2018 and 2017, and is reported as recoupment payable on the statements of financial position.

NOTE 10—OTHER REVENUES AND GAINS

	<u>2018</u>	<u>2017</u>
Lake County Housing Authority Stipends.....	\$ 9,000	\$ 33,845
Interest Income	152	173
Miscellaneous.....	<u>36</u>	<u>68</u>
	<u>\$ 9,188</u>	<u>\$ 34,086</u>

NOTE 11—CONTRIBUTIONS IN-KIND

Donations of property and equipment are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met. The Organization received donated property and equipment valued at \$10,780 for the year ended June 30, 2017. No such donation was made during the year ended June 30, 2018. The Organization received donated goods valued at \$4,711 and \$15,409 for the years ended June 30, 2018, and 2017, respectively. The \$4,711 received for the year ended June 30, 2018 consisted of \$2,036 of office maintenance supplies, \$375 of trainee stipends and meals, and \$2,300 of trainee service gear which are included in the statements of functional expenses. The \$15,409 received for the year ended June 30, 2017 consisted of \$1,976 of office maintenance supplies, and \$13,433 of tools and equipment which are included in the statements of functional expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11—CONTRIBUTIONS IN-KIND (Continued)

The Organization received the rent-free use of facilities recorded at an estimated fair value of \$9,293, for the year ended June 30, 2018, which is included in in-kind contributions revenue in the statements of activities and as occupancy expense in the statements of functional expenses. During the year ended June 30, 2017, the Organization received an estimated \$6,035 for donated facilities.

Donations of services are recorded if they create or enhance a non-financial asset or they require specialized skills which would be purchased if they were not donated. During the years ended June 30, 2018 and 2017, the Organization received various donated services valued at \$89,850 and \$85,655, respectively. The amounts are included in in-kind contributions revenue in the statements of activities, and professional fees in the statements of functional expenses.

For the years ended June 30, 2018 and 2017, the Organization also received a significant amount of donated services from volunteers and board members who assisted with the operations. The value of these services has not been recognized in the statements of activities since they do not meet the criteria for recognition under the Not-for-Profit Entities topic of the FASB Codification related to contributions made and received.

NOTE 12—OPERATING LEASES

The Organization has a lease agreement with the Board of Education of North Chicago Community Unit School District No. 187, Lake County, Illinois (the landlord) for office and classroom space that expires on May 31, 2025. The Organization moved to their current school location in April 2015 at the request of the School District when it was requested to relocate. Although the Organization was not contractually obligated to relocate, management and the Board decided to do so for the best interest of the community and renegotiated the new lease with no terms for involuntary early exit that existed in the prior lease. In lieu of rent, the Organization pays operating expenses for the property. Occupancy expenses on this lease were \$41,982 for the year ended June 30, 2018 and \$39,770 for the year ended June 30, 2017.

NOTE 13—RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.