

YOUTHBUILD LAKE COUNTY, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT..... 3-4

CONSOLIDATED FINANCIAL STATEMENTS

Statements of Financial Position 5

Statements of Activities..... 6

Statements of Functional Expenses..... 7-8

Statements of Cash Flows 9

Notes to Financial Statements..... 10-19



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, 2019 and 2018, 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, 2019 and 2018, 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.

Ward & Davis LLP

March 20, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 160,508	\$ 294,940
Restricted Cash	30,140	30,080
Grants and Contracts Receivable	614,825	552,642
Contributions Receivables	2,700	20,000
Other Receivables	1,863	—
Property Held for Sale	14,732	104,435
Prepaid Expenses	21,266	19,815
Total Current Assets	<u>846,034</u>	<u>1,021,912</u>
PROPERTY AND EQUIPMENT		
Computers and Software	87,966	73,244
Leasehold Improvements	8,848	8,848
Furniture and Equipment	32,668	31,568
Vehicles	52,032	47,432
	<u>181,514</u>	<u>161,092</u>
Less Accumulated Depreciation and Amortization	<u>152,589</u>	<u>129,271</u>
	<u>28,925</u>	<u>31,821</u>
OTHER ASSETS		
Unallocated In-Kind Construction Materials	2,500	7,400
Construction Projects in Progress	18,000	18,000
Total Other Assets	<u>20,500</u>	<u>25,400</u>
	<u>\$ 895,459</u>	<u>\$ 1,079,133</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 67,636	\$ 215,581
Accounts Payable	37,714	43,340
Accrued Salaries and Vacation	6,616	5,631
Accrued Expenses	62,786	21,504
Recoupment Payable	75,850	75,850
Refundable Advances	—	40,000
Deferred Revenue	30,140	38,580
Total Current Liabilities	<u>280,742</u>	<u>440,486</u>
NET ASSETS		
Without Donor Restrictions	576,544	579,630
With Donor Restrictions	38,173	59,017
Total Net Assets	<u>614,717</u>	<u>638,647</u>
	<u>\$ 895,459</u>	<u>\$ 1,079,133</u>

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUES AND GAINS						
Public Support						
Contributions and Grants	\$ 173,438	\$ 216,750	\$ 390,188	\$ 145,256	\$ 192,701	\$ 337,957
In-Kind Contributions	89,967	—	89,967	103,854	—	103,854
Special Event Revenues	145,125	32,918	178,043	176,963	28,650	205,613
Government Grants and Contracts	854,764	—	854,764	823,267	7,500	830,767
Total Public Support	<u>1,263,294</u>	<u>249,668</u>	<u>1,512,962</u>	<u>1,249,340</u>	<u>228,851</u>	<u>1,478,191</u>
Gain on Sale of Property	16,763	—	16,763	—	—	—
Other Revenues and Gains	15,247	—	15,247	9,188	—	9,188
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of Restrictions	<u>270,512</u>	<u>(270,512)</u>	<u>—</u>	<u>223,018</u>	<u>(223,018)</u>	<u>—</u>
Total	<u>1,565,816</u>	<u>(20,844)</u>	<u>1,544,972</u>	<u>1,481,546</u>	<u>5,833</u>	<u>1,487,379</u>
FUNCTIONAL EXPENSES AND LOSSES						
Functional Expenses						
Program Services						
Education and Training	<u>1,028,693</u>	<u>—</u>	<u>1,028,693</u>	<u>1,066,274</u>	<u>—</u>	<u>1,066,274</u>
Supporting Services						
Management and General	304,509	—	304,509	195,633	—	195,633
Fundraising - Other	188,295	—	188,295	172,924	—	172,924
Fundraising - Special Event Direct Expenses	47,300	—	47,300	69,522	—	69,522
Total Supporting Services	<u>540,104</u>	<u>—</u>	<u>540,104</u>	<u>438,079</u>	<u>—</u>	<u>438,079</u>
Total Functional Expenses	<u>1,568,797</u>	<u>—</u>	<u>1,568,797</u>	<u>1,504,353</u>	<u>—</u>	<u>1,504,353</u>
Impairment Losses	—	—	—	2,100	—	2,100
Loss on Sale or Disposition of Stock	105	—	105	—	—	—
Total	<u>1,568,902</u>	<u>—</u>	<u>1,568,902</u>	<u>1,506,453</u>	<u>—</u>	<u>1,506,453</u>
CHANGE IN NET ASSETS	(3,086)	(20,844)	(23,930)	(24,907)	5,833	(19,074)
Net Assets, Beginning	<u>579,630</u>	<u>59,017</u>	<u>638,647</u>	<u>604,537</u>	<u>53,184</u>	<u>657,721</u>
NET ASSETS, ENDING	<u>\$ 576,544</u>	<u>\$ 38,173</u>	<u>\$ 614,717</u>	<u>\$ 579,630</u>	<u>\$ 59,017</u>	<u>\$ 638,647</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services		Support Services			Total Supporting Services	Total Expenses
	Education and Training	Management and General	Fundraising - Other	Fundraising - Special Event Direct Expenses			
Salaries	\$ 440,245	\$ 186,357	\$ 102,629	\$ —		288,986	\$ 729,231
Employee Benefits	7,800	2,264	1,692	—		3,956	11,756
Payroll Taxes	38,775	16,414	9,039	—		25,453	64,228
Background Checks	4,632	—	—	—		—	4,632
Bank Charges and Credit Card Fees	—	2,243	3,756	—		5,999	5,999
Carrying Costs	—	7,027	—	—		7,027	7,027
Computer Expense	5,096	4,680	2,106	—		6,786	11,882
Conferences, Meetings, and Events	14,804	2,916	700	—		3,616	18,420
Counseling and Wellness Services	135,350	—	—	—		—	135,350
Depreciation and Amortization	19,269	3,699	350	—		4,049	23,318
Dues, Subscriptions and Licenses	3,583	1,813	619	—		2,432	6,015
Entertainment	—	—	—	15,094		15,094	15,094
Instructional Materials	5,385	—	—	—		—	5,385
Insurance	25,442	13,363	3,466	—		16,829	42,271
Interest	—	9,277	—	—		9,277	9,277
Miscellaneous	—	2,339	—	4,182		6,521	6,521
Occupancy	29,546	5,879	1,412	980		8,271	37,817
Office Expense, Supplies and Postage	5,308	6,448	1,210	419		8,077	13,385
Outreach and Recruitment	15,719	—	414	—		414	16,133
Printing	—	92	4,654	3,964		8,710	8,710
Professional Fees	32,147	33,472	52,653	—		86,125	118,272
Special Event Food and Beverages	—	—	—	22,661		22,661	22,661
Telephone	852	5,990	1,497	—		7,487	8,339
Trainee Service Gear	29,927	26	574	—		600	30,527
Trainee Stipends and Meals	120,873	—	—	—		—	120,873
Training	13,318	20	187	—		207	13,525
Transportation Assistance	2,835	—	—	—		—	2,835
Travel	19,817	190	1,337	—		1,527	21,344
Tuition and Books	55,265	—	—	—		—	55,265
Vehicles Expense	2,705	—	—	—		—	2,705
TOTALS	\$ 1,028,693	\$ 304,509	\$ 188,295	\$ 47,300		\$ 540,104	\$ 1,568,797

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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 CASH FLOWS

For the Years Ended June 30	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (23,930)</u>	<u>\$ (19,074)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation and Amortization	23,318	29,642
Donated Property and Equipment	(4,600)	—
Donated Stock	(2,919)	—
Proceeds from Sales of Donated Stock	2,814	—
Loss on Sale of Donated Stock	105	—
Impairment Losses	—	2,100
Gain on Sale of Property	(16,763)	—
(Increase) Decrease in Assets		
Restricted Cash	(60)	41,859
Grants and Contracts Receivable	(62,183)	(299,321)
Contributions Receivable	17,300	(19,500)
Other Receivables	(1,863)	—
Prepaid Expenses	(1,451)	847
Increase (Decrease) in Liabilities		
Accounts Payable	(5,626)	35,301
Accrued Salaries and Vacation	985	(34,716)
Accrued Expenses	41,282	17,761
Refundable Advances	(40,000)	17,788
State Advance Payable	—	(39,617)
Deferred Revenue	(8,440)	7,526
Total Adjustments	<u>(58,101)</u>	<u>(240,330)</u>
Net Cash Used by Operating Activities	<u>(82,031)</u>	<u>(259,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on Sales of Properties, net of Closing Costs	106,466	—
Proceeds on Sale of In-Kind Construction Materials	4,900	—
Purchases of Property and Equipment	<u>(15,822)</u>	<u>(3,239)</u>
Net Cash Provided (Used) by Investing Activities	<u>95,544</u>	<u>(3,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	96,121	215,581
Repayments of Line of Credit	<u>(244,066)</u>	<u>—</u>
Net Cash Provided (Used) by Financing Activities	<u>(147,945)</u>	<u>215,581</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(134,432)	(47,062)
Cash and Cash Equivalents, Beginning	<u>294,940</u>	<u>342,002</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ 160,508	\$ 294,940
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 9,277</u>	<u>4,054</u>
Noncash Activities		
Donated Goods	<u>\$ 15,325</u>	<u>\$ 4,711</u>
Donated Services	<u>\$ 70,042</u>	<u>\$ 89,850</u>
Donated Facilities	<u>\$ —</u>	<u>\$ 9,293</u>
Transfer Between Construction in Progress and Property Held for Sale	<u>\$ —</u>	<u>\$ 101,935</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:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed purpose and time stipulations have been satisfied. Net assets without donor restriction may otherwise be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restriction - Amounts that are stipulated by donors for specific operating purposes or use in future periods. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), these net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

Additionally, net assets can be subject to donor-imposed stipulations that the resources be maintained in perpetuity by the Organization. Investment income, including realized and unrealized gains and losses are classified as net assets with time or purpose restrictions 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, 2019 and 2018, the Organization had no net assets with donor restrictions in perpetuity.

Public support and contributions are considered for use without restriction and are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions or by laws and regulations. Expenses are reported as decreases in net assets without donor restriction.

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 57% and 59% of its total revenues for the year ended June 30, 2019 and 2018, respectively, from government grants and contracts. Receivables from four government agencies at June 30, 2019 and 2018 represent 98% and 87%, respectively, of total grants and contracts receivable.

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, 2019 and June 30, 2018, 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 \$23,318 for the year ended June 30, 2019 and \$29,642 for the year ended June 30, 2018 and is included in program and supporting services in the statements of activities.

Software amortization expense for the next year is as follows:

Year Ending June 30	
2020	\$ <u>2,774</u>

Amortization expense was \$7,240 for the year ended June 30, 2019 and \$9,974 for the year ended June 30, 2018, and is included in the total depreciation and amortization amount on the statements of functional expenses.

UNALLOCATED IN-KIND CONSTRUCTION MATERIALS

The Organization received donated materials several years ago which it has not been able to fully use or sell. The Organization sold \$4,900 of these materials during the year ended June 30, 2019. A write down of \$2,100 was made during the year ended June 30, 2018, to bring the materials to their estimated fair value.

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.

CONTRIBUTIONS

Contributions received are recorded as support without or with restriction, 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), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 refundable advances or deferred revenue dependent on the nature of the agreement. 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. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories.

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.

ACCOUNTING PRONOUNCEMENTS

The Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by FASB in August 2016 and was effective for the Association's year ended June 30, 2019. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no revisions were required to the prior year amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING PRONOUNCEMENTS (Continued)

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09 (*Topic 606*): *Revenue from Contracts with Customers*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Association's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. Management has determined that the standard will not have a significant impact on the financial statements. The Organization is currently gathering the appropriate information to implement the standard in a timely manner.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash	\$	190,648
Grants and Contracts Receivable		614,825
Contributions and Other Receivables		4,563
Less: Net Assets with Donor Restriction		(47,600)
	\$	<u>762,436</u>

As part of its liquidity management plan, the Organization attempts to maintain sufficient liquid assets to meet its current operating needs. Assuming fiscal 2020 revenue is consistent with the current year, the Organization will have sufficient liquid assets to meet at least one year of expenses. Additionally, the Organization has an available balance of \$182,364 on its line of credit which it could draw upon should the need arise.

NOTE 3—RESTRICTED CASH

Restricted cash of \$30,140 at June 30, 2019 and \$30,080 at June 30, 2018 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 4—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, 2019 and 2018.

Level 1 Fair Value Measurements

The Organization did not value any assets using level 1 inputs as of June 30, 2019 and 2018.

Level 2 Fair Value Measurements

The Organization did not value any assets using level 2 inputs as of June 30, 2019 and 2018.

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, 2019 and 2018.

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 4—FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a nonrecurring basis at June 30, 2019 and 2018 which are all valued at level 3 are as follows:

	2019	2018
1700 16 th Street, North Chicago, Illinois (land only).....	\$ 2,500	\$ 2,500
2015 Elim	12,232	12,232
2201 Horeb	-	89,703
	\$ 14,732	\$ 104,435

There was no impairment loss for the years ended June 30, 2019 and 2018.

NOTE 5—CONDITIONAL GRANTS

No conditional grants were awarded during the year ended June 30, 2019. 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. During the year ended June 30, 2019, the Organization met the conditions and recognized the remaining \$20,000.

NOTE 6—PROPERTY HELD FOR SALE

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

	2019	2018
1700 16 th Street, North Chicago, Illinois (land only).....	\$ 2,500	\$ 2,500
2015 Elim	12,232	12,232
2201 Horeb	-	89,703
	\$ 14,732	\$ 104,435

In 2019, 2201 Horeb was sold for \$106,466, net of closing costs.

NOTE 7—CONSTRUCTION PROJECTS IN PROGRESS

A summary of construction projects in process and in-kind contributions by property as of June 30, 2019 were as follows:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7—CONSTRUCTION PROJECTS IN PROGRESS (Continued)

A summary of construction costs 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>

During the year ended June 30, 2019 and 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 in 2018, as they are actively being marketed.

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

NOTE 8—LINE OF CREDIT

The Organization has a \$250,000 revolving line of credit with a current maturity date of March 1, 2020. The line bears interest at the prime rate (5.50% at June 30, 2019), with a 4% minimum and is collateralized by a commercial security agreement on the assets of the Organization. The outstanding balance at June 30, 2019 was \$67,636 and \$215,581 at June 30, 2018. 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 \$9,277 for the year ended June 30, 2019 and \$4,054 for the year ended June 30, 2018. The Organization is currently working with its financial institution to extend its line of credit.

NOTE 9—DONOR RESTRICTED NET ASSETS

	<u>2019</u>	<u>2018</u>
Mission Moment for Spring Benefit – Programs	\$ 32,918	\$ 28,650
Bridge to College	—	10,000
PGIM Programs	4,061	7,367
Lake County Community Foundation – Salesforce Database	1,194	—
Wellness Program	<u>—</u>	<u>13,000</u>
	<u>\$ 38,173</u>	<u>\$ 59,017</u>

Net assets released from donor restrictions by fulfillment of donor restricted purposes were \$270,512 and \$223,018 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10—GOVERNMENT GRANTS AND CONTRACTS

	<u>2019</u>	<u>2018</u>
AmeriCorps	\$ 109,920	\$ 96,774
Department of Commerce and Economic Opportunity	295,365	107,409
Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants.....	53,588	31,632
Department of Labor – YouthBuild.....	365,222	501,668
County of Lake, Illinois	-	7,500
Waukegan Township, Illinois	1,000	1,000
WIOA - Workforce Development Dept. of Lake County.....	29,669	84,784
	<u>\$ 854,764</u>	<u>\$ 830,767</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, 2019 and 2018, and is reported as recoupment payable on the statements of financial position.

NOTE 11—OTHER REVENUES AND GAINS

	<u>2019</u>	<u>2018</u>
Lake County Housing Authority Stipends.....	\$ 12,359	\$ 9,000
Interest Income.....	200	152
Miscellaneous.....	2,688	36
	<u>\$ 15,247</u>	<u>\$ 9,188</u>

NOTE 12—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 support without donor restriction 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 vehicles valued at \$4,600 and \$-0- for the years ended June 30, 2019, and 2018, respectively. The Organization received donated goods valued at \$15,325 and \$4,711 for the years ended June 30, 2019, and 2018, respectively. The \$15,325 received for the year ended June 30, 2019 consisted of \$2,100 of office supplies, \$56 of trainee stipends and meals, and \$11,159 of trainee service gear and \$2,010 of event tickets which is included in conference, meetings and events in the statements of functional expenses. The \$4,711 received for the year ended June 30, 2018 consisted of \$2,036 of office supplies, and \$375 of trainee stipends and meals, and \$2,300 of trainee service gear which are included in the statements of functional expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12—CONTRIBUTIONS IN-KIND (Continued)

During the year ended June 30, 2018, the Organization received an estimated \$9,293 of donated facilities which is included in in-kind contributions revenue in the statements of activities and as occupancy expense in the statements of functional expenses. The Organization did not receive the rent-free use of facilities for the year ended June 30, 2019.

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, 2019 and 2018, the Organization received various donated services valued at \$70,042 and \$89,850, 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, 2019 and 2018, 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 13—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 \$36,837 for the year ended June 30, 2019 and \$41,962 for the year ended June 30, 2018.

NOTE 14—RECLASSIFICATIONS

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

NOTE 15—SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2020, the date which the financial statements were available for issue. Except for the extension of the line of credit currently in process, there were no other subsequent events which require disclosure.