

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Deborah's Place & Affiliated Organizations (the "Organizations"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Deborah's Place & Affiliated Organizations as of June 30, 2017, and the changes in their net assets and their 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 Deborah's Place & Affiliated Organizations' 2016 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Chicago, Illinois
October 25, 2017

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017 (with Comparative Totals for 2016)

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,735,098	\$ 1,523,372
Accounts receivable	11,220	6,128
Grants receivable	178,692	280,446
Contributions receivable	133,309	141,861
Prepaid expenses, deposits and other	88,554	106,143
Operating, replacement and insurance reserves	958,507	998,656
Investments	1,110,556	1,010,909
Land, buildings and equipment, net	6,102,373	6,543,723
Intangible assets	12,635	12,635
TOTAL ASSETS	\$ 10,330,944	\$ 10,623,873
<u>LIABILITIES</u>		
Mortgage notes payable, net of debt issuance costs	\$ 6,338,090	\$ 6,343,908
Accounts payable and other accrued expenses	181,282	132,509
TOTAL LIABILITIES	6,519,372	6,476,417
<u>NET ASSETS</u>		
Unrestricted:		
Operations	2,854,024	3,222,232
Board designated for Endowment Fund	805,011	702,341
Temporarily restricted	152,537	222,883
TOTAL NET ASSETS	3,811,572	4,147,456
TOTAL LIABILITIES AND NET ASSETS	\$ 10,330,944	\$ 10,623,873

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017 (with Comparative Totals for 2016)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total 2017</u>	<u>2016</u>
REVENUE AND SUPPORT				
Support:				
Individuals	\$ 609,057	\$ -	\$ 609,057	\$ 521,658
Foundations, churches, corporations and organizations	715,060	150,700	865,760	733,962
Government grants and contracts	1,782,451	-	1,782,451	1,677,067
In-kind services	75,483	-	75,483	58,287
Fundraising events	176,931	-	176,931	157,026
TOTAL SUPPORT	<u>3,358,982</u>	<u>150,700</u>	<u>3,509,682</u>	<u>3,148,000</u>
Program revenue:				
Rent and rent subsidy	1,014,578	-	1,014,578	1,017,174
Program rents	23,229	-	23,229	33,640
Other program revenue	17,281	-	17,281	-
TOTAL PROGRAM REVENUE	<u>1,055,088</u>	<u>-</u>	<u>1,055,088</u>	<u>1,050,814</u>
Other sources:				
Interest and dividends	47,307	-	47,307	38,745
Realized and unrealized gain on investments	65,051	-	65,051	1,467
Other income	6,344	-	6,344	3,686
TOTAL OTHER SOURCES	<u>118,702</u>	<u>-</u>	<u>118,702</u>	<u>43,898</u>
Net assets released from restriction	<u>221,046</u>	<u>(221,046)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,753,818</u>	<u>(70,346)</u>	<u>4,683,472</u>	<u>4,242,712</u>

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - Continued

Year Ended June 30, 2017 (with Comparative Totals for 2016)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total 2017</u>	<u>2016</u>
FUNCTIONAL EXPENSES				
Program services:				
Housing Programs & Services	\$ 1,806,205	\$ -	\$ 1,806,205	\$ 1,814,168
Community Housing & Services	308,009	-	308,009	216,426
Clinical & Health Services	636,182	-	636,182	605,385
Deborah's Place II	530,120	-	530,120	530,025
Deborah's Place III	1,051,580	-	1,051,580	1,009,573
TOTAL PROGRAM SERVICES	<u>4,332,096</u>	<u>-</u>	<u>4,332,096</u>	<u>4,175,577</u>
Supporting services:				
Management and general	414,555	-	414,555	388,249
Fundraising	272,705	-	272,705	255,899
TOTAL SUPPORTING SERVICES	<u>687,260</u>	<u>-</u>	<u>687,260</u>	<u>644,148</u>
TOTAL FUNCTIONAL EXPENSES	<u>5,019,356</u>	<u>-</u>	<u>5,019,356</u>	<u>4,819,725</u>
DECREASE IN CONSOLIDATED NET ASSETS	(265,538)	(70,346)	(335,884)	(577,013)
NET ASSETS, BEGINNING OF YEAR	<u>3,924,573</u>	<u>222,883</u>	<u>4,147,456</u>	<u>4,724,469</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 3,659,035</u>	<u>\$ 152,537</u>	<u>\$ 3,811,572</u>	<u>\$ 4,147,456</u>

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017 (with Comparative Totals for 2016)

	Program Services					Total Program Services
	Housing Programs & Services	Community Housing & Services	Clinical & Health Services	Deborah's Place II	Deborah's Place III	
Salaries and wages	\$ 1,044,648	\$ 213,878	\$ 461,821	\$ 200,864	\$ 288,867	\$ 2,210,078
Payroll taxes	86,803	17,690	38,101	17,221	23,692	183,507
Employee benefits	145,721	33,976	76,651	21,250	54,966	332,564
Repairs and maintenance	72,722	-	-	51,533	137,089	261,344
Dues and subscriptions	1,303	-	176	-	285	1,764
Professional fees and contract services	47,840	5,682	14,524	9,025	25,092	102,163
Specific assistance to individuals	107,723	17,835	20,325	-	-	145,883
Insurance	15,831	126	3,860	18,893	34,138	72,848
Postage	116	951	182	111	94	1,454
Utilities	38,223	-	-	65,174	114,273	217,670
Supplies	29,043	3,803	5,370	847	1,568	40,631
Bad debt	-	-	-	1,591	2,252	3,843
Telephone	8,872	5,551	4,410	3,055	4,336	26,224
Transportation for staff	621	7,640	2,494	693	305	11,753
Rent	64,933	-	3,418	-	-	68,351
Property taxes	-	-	-	1,223	-	1,223
Interest	-	-	-	1	1,185	1,186
Building and equipment	11,664	741	4,569	4,248	-	21,222
Depreciation	126,696	-	-	134,066	363,236	623,998
Miscellaneous	3,446	136	281	325	202	4,390
TOTAL EXPENSES	\$ 1,806,205	\$ 308,009	\$ 636,182	\$ 530,120	\$ 1,051,580	\$ 4,332,096

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - Continued

Year Ended June 30, 2017 (with Comparative Totals for 2016)

	Supporting Services			Total 2017	Total 2016
	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 185,965	\$ 178,294	\$ 364,259	\$ 2,574,337	\$ 2,469,095
Payroll taxes	15,323	14,541	29,864	213,371	193,552
Employee benefits	29,816	29,522	59,338	391,902	366,461
Repairs and maintenance	5,356	226	5,582	266,926	274,426
Dues and subscriptions	3,909	859	4,768	6,532	6,575
Professional fees and contract services	118,290	5,025	123,315	225,478	203,322
Specific assistance to individuals	-	-	-	145,883	128,209
Insurance	15,497	812	16,309	89,157	88,966
Stationery and printing	642	10,518	11,160	11,160	15,993
Postage	1,926	3,004	4,930	6,384	5,948
Utilities	-	-	-	217,670	203,747
Recruiting	1,683	-	1,683	1,683	1,615
Supplies	8,291	18,692	26,983	67,614	69,408
Bad debt	-	-	-	3,843	20,849
Telephone	5,757	-	5,757	31,981	26,256
Transportation for staff	-	726	726	12,479	8,544
Rent	-	-	-	68,351	67,010
Property taxes	-	-	-	1,223	1,044
Interest	-	-	-	1,186	1,185
Building and equipment	2,461	-	2,461	23,683	29,978
Depreciation	11,232	-	11,232	635,230	613,464
Miscellaneous	8,407	10,486	18,893	23,283	24,078
TOTAL EXPENSES	\$ 414,555	\$ 272,705	\$ 687,260	\$ 5,019,356	\$ 4,819,725

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017 (with Comparative Totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in consolidated net assets	\$ (335,884)	\$ (577,013)
Adjustments to reconcile decrease in consolidated net assets to net cash flows from operating activities:		
Depreciation	635,230	613,464
Deferred financing costs recognized	1,182	1,182
Realized and unrealized gain on investments	(65,051)	(1,467)
Bad debt provision	3,843	20,849
Decrease (increase) in operating assets:		
Accounts, grants and contributions receivable	101,371	23,868
Prepaid expenses, deposits and other	17,589	(4,447)
Operating, replacement and insurance reserves	40,149	18,971
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued expenses	48,773	(55,744)
NET CASH FLOWS FROM OPERATING ACTIVITIES	447,202	39,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(193,880)	(147,094)
Proceeds from sale of investments	106,715	147,905
Purchase of investments	(141,311)	(139,367)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(228,476)	(138,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(7,000)	(7,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	211,726	(105,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,523,372	1,629,265
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,735,098	\$ 1,523,372

See Notes to Consolidated Financial Statements

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of organization - The consolidated financial statements include the accounts of Deborah's Place, its wholly owned subsidiary, Deborah's Place III Corp., and its affiliated organization, Deborah's Place II (the "Organizations"). Each entity has a separate board of directors which share common members. Transactions between the entities have been eliminated on consolidation.

Deborah's Place is a nonprofit social service organization which opens doors of opportunity for women who are homeless in Chicago. Supportive housing and services offer women their key to healing, achieving their goals and moving on from the experience of homelessness. Deborah's Place conducts the following programs:

Housing Programs & Services - Deborah's Place residential programs offer safe housing and supportive services for women who have experienced homelessness. Programs include Dolores' Safe Haven (a 15-bed supportive living environment which serves hard-to-reach women who are chronically homeless and who are living with severe mental illness), Teresa's Interim Housing (a 24-hour interim housing program with 10 semiprivate dormitory bed spaces, where women can live for up to 120 consecutive days while receiving intensive programming around housing search, income acquisition, and preparation for life in the community), and Marah's Permanent Housing Program (30 private rooms for women who have been homeless and are living with a disability, where residents pay 30% of their income as rent). Residential services are also provided for the tenants of the Patty Crowley Apartments and the Rebecca Johnson Apartments. Community Centers at all three sites provide access to computers, budgeting, tutoring, art therapy, employment guidance, and programs designed to strengthen daily living skills and engagement.

Community Housing & Services - Community Housing and services are provided to participants who, with the assistance of subsidized rent, live in apartments in the community. Intensive case management and services ensure that women who have experienced homelessness remain housed and achieve their goals related to income, self-sufficiency, and wellness. An Alumnae Services program serves women who have left Deborah's Place on-site residential programs for housing in the community.

Clinical & Health Services - Clinical and Health Services include Case Management and physical Health Services. The Case Management Program assists women in meeting their goals before and after they move into housing. Women are assisted in securing income and in securing, accessing, and maintaining affordable housing. Clinical services include assessment, participant-centered service planning, referral, crisis intervention, transportation, and follow-up support. Health services are designed to coordinate healthcare based on individual needs; skilled staff work with participants to create individualized assessments, plans, referrals, and follow-up.

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Deborah's Place provides permanent housing to end homelessness in the following two locations:

Deborah's Place II (Patty Crowley Apartments) - This facility, located at 1530 N. Sedgwick Avenue in Chicago, provides private- and shared-bath apartments for 39 women. Each unit has a project-based subsidy under Section 8 of the U.S. Housing and Community Development Act of 1974. Tenant services and 24-hour case management are available on-site. This facility leases space to several Deborah's Place programs, including Dolores' Safe Haven, Teresa's Interim Housing, and Tenant Residential Services. The project is financed in part by a mortgage loan from the Chicago Department of Housing (now the Department of Housing and Economic Development), with Community Development Block Grant (HUD) funds.

Deborah's Place III (Rebecca Johnson Apartments) - The facility, located at 2822 W. Jackson in Chicago, provides private-bath single-room apartments for 90 women, as well as on-site case management and supportive services. Each unit has a project-based subsidy under the Section 8 Moderate Rehabilitation program. The building is owned by Deborah's Place III Limited Partnership ("DP III"), a partnership which acquired and renovated the property for use as a low-income housing rental property. DP III leases administrative office space to Deborah's Place.

Deborah's Place III Corp. ("DP III Corp.") was formed to serve as the general partner of DP III and held a 0.01% partnership interest as general partner. The limited partner interest is held by Deborah's Place, giving it an effective ownership interest of 100% in DP III.

Net assets - The Organizations report information regarding their financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

Operations - Net assets that are not subject to donor-imposed restrictions including the carrying value of physical properties (land, building and equipment). Items that affect this net asset category include revenue, principally grants and contributions, and related expenses associated with the core activities of the Organizations. In addition to these transactions, changes in this category of net assets include contributions whose donor-imposed restrictions were met during the fiscal period.

Board Designated for Endowment Fund - During fiscal 2003, Deborah's Place's Board of Directors established this fund for general charitable purposes of the Organizations to be operated and maintained as an endowment fund. The Board of Directors has the ultimate authority and control over all net assets of the fund and income derived therefrom.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met by the passage of time or by expenditures that meet the donors' imposed purpose. When the donors' restrictions are satisfied, the net assets are transferred to unrestricted net assets.

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Permanently restricted net assets - Includes resources subject to restrictions of gift instruments requiring that principal be invested in perpetuity and investment income be utilized for support of activities.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid interest-bearing depository accounts with a maturity of three months or less. Aggregate cash balances currently exceed federally insured limits. However, the Organizations have not experienced any losses in such accounts and management does not believe that they are exposed to any significant credit risk.

Accounts receivable - Accounts receivable are composed of rent due from tenants and rent subsidies due from a government agency. Uncollectible amounts are written off to bad debt expense at the time the individual receivable is determined to be uncollectible. An allowance for doubtful accounts, if required, is based on estimates made by management and the Organizations' historical collection experience. The allowance for doubtful accounts at June 30, 2017 and 2016, was \$13,727 and \$13,170, respectively.

Land, buildings and equipment - Land, buildings and equipment are stated at cost if purchased and at fair value at the date of contribution if donated to the Organizations. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Individual purchases of furniture and equipment exceeding \$2,000 are capitalized. Depreciation expense for the years ended June 30, 2017 and 2016, was \$635,230 and \$613,464, respectively.

Contributions and grants - All public support is considered to be available for unrestricted use unless restricted specifically by the donor or funding agency. At its discretion, the Board of Directors may designate certain funds for specific purposes.

Contributions and grants restricted by the donor, grantor or other outside party are reported as temporarily or permanently restricted revenue, as applicable, when granted or pledged to the Organizations.

Investments - The Organizations invest in marketable securities with readily determinable fair values. The securities are invested in mutual funds that are traded at their fair values based on quoted prices in active markets. Investments in short-term certificates of deposit are stated at cost plus accrued interest, which approximates fair value. All investments are considered Level 1. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities and changes in net assets. Other investments use the cost method.

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

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Asset impairment assessments - The Organizations review long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the asset compared to its carrying value. If an impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. No impairment was recognized in 2017 or 2016.

In-kind donations - The Organizations record various types of in-kind support, including services, materials, and gifts of goods, equipment and other tangible assets. The Organizations recognize professional services as in-kind support if those services (a) create or enhance long-lived 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. In 2017 and 2016, volunteers provided approximately 8,021 hours and 10,537 hours, respectively, for serving on the Board of Directors, preparing meals, assisting in clerical tasks, providing tutoring, conducting workshops, and participating in fundraising campaigns during the year. These services received by the Organizations did not meet these criteria. The value of contributed services meeting the requirements for recognition in the consolidated financial statements amounted to \$5,575 and \$3,401 as of June 30, 2017 and 2016, respectively.

Contributions of tangible assets are recognized at fair value when received. Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations restrict how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. The amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in expenses or assets. Contributions of tangible assets, including noncash items and gift cards, amounted to \$69,908 and \$54,886 for the years ended June 30, 2017 and 2016, respectively.

Income taxes - Deborah's Place and Deborah's Place II are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision has been made for federal and state income taxes since income or loss of DP III is required to be reported by the partners on their respective income tax returns.

Use of estimates - The preparation of 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 disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Grants and contributions receivable

Grants and contributions receivable consist of amounts due from public and private organizations. Grants due from public agencies reimburse Deborah's Place for expenses incurred and paid. All the grants and contributions receivable are expected to be collected in fiscal year 2018.

(3) Investments

Investments as of June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Stated at fair value:		
Mutual funds	\$ 805,011	\$ 702,341
Certificate of deposit	305,545	308,568
Total	<u>\$ 1,110,556</u>	<u>\$ 1,010,909</u>

(4) Land, buildings and equipment

Land, buildings and equipment as of June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Cost:		
Land	\$ 258,000	\$ 258,000
Buildings and improvements	15,618,867	15,462,444
Furniture and equipment	457,727	442,581
Vehicles	20,752	20,752
Total cost	<u>16,355,346</u>	<u>16,183,777</u>
Accumulated depreciation	<u>(10,252,973)</u>	<u>(9,640,054)</u>
Net land, buildings and equipment	<u>\$ 6,102,373</u>	<u>\$ 6,543,723</u>

(5) Mortgage notes payable

Mortgage note payable to the Chicago Department of Housing and Economic Development ("HED," formerly the Department of Housing ("DOH")), which administers these U.S. Department of Housing and Urban Development Community Development Block Grant ("CDBG") funds. This note is payable in August 2035 and bears no interest during its term provided the housing remains available to very low income persons and the note does not become due because of default under the terms of the note or the regulatory agreement. This note is collateralized by real estate owned by Deborah's Place II. The mortgage note payable to the HED at June 30, 2017 and 2016, was \$2,275,694.

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Mortgage notes payable (continued)

Junior mortgage note payable to the Illinois Housing Development Authority ("IHDA") in the original amount of \$500,000. This note bears no interest, is payable in annual principal installments of \$1,000, and matures in 2035. The note is secured by real estate owned by Deborah's Place II. The note payable to IHDA at June 30, 2017 and 2016, was \$477,000 and \$478,000, respectively.

First mortgage note payable to IHDA in the original amount of \$3,300,000, obtained pursuant to the provisions of the HOME Program as authorized by Title II of the National Affordable Housing Act. This nonrecourse mortgage is payable in March 2030 and bears no interest during its term provided the housing remains available to very low income persons and the note does not become due because of default under the terms of the note or regulatory agreement. The note is payable in monthly principal installments of \$500 as well as the annual payment of residual receipts while the Section 8 contract is in existence; thereafter, monthly payments in the amount of \$100 will be payable. The loan is collateralized by the rental property owned by DP III and an assignment of rents and leases. The Organizations executed a Regulatory and Land Use Agreement with IHDA which prohibits the sale of the project without IHDA's approval. The note payable to IHDA at June 30, 2017 and 2016, was \$3,197,000 and \$3,203,000, respectively.

Second mortgage note payable to the HED (formerly DOH) in the original amount of \$400,000. This note bears no interest and is payable in March 2030. This nonrecourse mortgage is collateralized on a subordinate basis by rental property owned by DP III and an assignment of rents and leases. This loan payable to HED at June 30, 2017 and 2016, was \$400,000.

Scheduled principal reductions are as follows:

Years Ending June 30,

2018	\$	7,000
2019		7,000
2020		7,000
2021		7,000
2022		7,000
Thereafter		6,314,694
Total	\$	6,349,694

Mortgage notes payable at June 30, 2017 and 2016, were \$6,338,090 and \$6,343,908, respectively. The notes payable for 2017 and 2016 consist of:

	2017	2016
Mortgage notes payable	\$ 6,349,694	\$ 6,356,694
Less: unamortized debt issuance costs	(11,604)	(12,786)
Mortgage notes payable, net	\$ 6,338,090	\$ 6,343,908

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Mortgage notes payable (continued)

In prior years, the Organizations have reported debt issuance costs as a deferred charge in the consolidated statement of financial position and amortization of such costs in the consolidated statement of activities and changes in net assets. In accordance with a change in generally accepted accounting principles, effective July 1, 2015, the Organizations began reporting such costs as a direct reduction from the face amount of the related debt, resulting in a reduction of total 2016 assets by \$12,786. The change did not affect net assets.

Similarly, the Organizations now report amortization of debt issuance costs as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased by \$1,182, with no effect on the change in net assets.

Loan costs are being recognized as interest expense on a straight-line basis over the term of the mortgage loan. Interest expense recognized for the years ended June 30, 2017 and 2016 was \$1,182.

(6) Cash – Operating, replacement and insurance reserves

Replacement reserve - Pursuant to the DP III IHDA loan agreement, the Organizations are required to fund from available cash flows a replacement of \$1,500 per month. The replacement reserve, which is administered by IHDA, can be used to fund improvements and replacements.

Operating deficit reserve - Also pursuant to the DP III IHDA loan agreement, the Organizations were required to fund the operating deficit reserve from the limited partner capital contributions in an initial amount of \$600,000. Additionally, the Organizations are required to deposit into the operating deficit reserve surplus cash flow, if any, in the maximum amount of \$45,000 per annum. Such funding is required until the long-term operating reserve has reached \$4,739,609. No amounts were funded in 2017 or 2016.

The operating deficit reserve, which is administered by IHDA, is to be used to fund operating deficits, as defined in the HOME Loan Agreement. Interest earned is retained in the reserve account.

Insurance reserve - Pursuant to the DP III IHDA loan agreement, the Organizations have established an insurance escrow. Monthly deposits are determined by IHDA. The insurance escrow, which is administered by IHDA, is to be used to pay insurance.

The following details the reserves at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Replacement reserve	\$ 151,796	\$ 194,547
Operating deficit reserve	751,340	748,917
Insurance reserve	<u>55,371</u>	<u>55,192</u>
Total	<u>\$ 958,507</u>	<u>\$ 998,656</u>

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Real estate taxes

Real property owned by DP III is exempt from local real estate taxes, pursuant to a determination by the Illinois Department of Revenue. The Organizations have obtained a non-homestead Property Tax Exemption Certificate on the property for the 2017 assessment year.

(8) Temporarily restricted net assets

At June 30, 2017 and 2016, the amounts included in temporarily restricted net assets are restricted for the following purposes:

	Temporarily Restricted as of June 30, 2016	Temporarily Restricted Contributions	Grants Released from Restriction	Temporarily Restricted as of June 30, 2017
DP II improvements	\$ 17,383	\$ 59,700	\$ (73,733)	\$ 3,350
Capital improvements	60,500	83,060	(143,560)	-
IT Capacity	-	20,000	-	20,000
FY'17 general operations	145,000	-	(139,813)	5,187
FY'18 general operations	-	124,000	-	124,000
Total	<u>\$ 222,883</u>	<u>\$ 286,760</u>	<u>\$ (357,106)</u>	<u>\$ 152,537</u>

(9) Lease commitment

The Organizations lease space for Marah's Permanent Housing Program under a lease which expires in fiscal year 2019. Effective July 1, 2013, the lease was amended to reduce the monthly rent payments to \$5,306 subject to annual increases of the greater of a Consumer Price Index ("CPI") adjustment or 2%.

Rent expense for the years ended June 30, 2017 and 2016, was \$68,351 and \$67,010, respectively.

Minimum future annual rentals for all leases are as follows:

2018	\$ 69,610
2019	<u>17,575</u>
Total	<u>\$ 87,185</u>

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Deborah's Place 401(k) Plan

Effective July 1, 2001, the Organizations created the Deborah's Place 401(k) Plan (the "Plan"). The Plan covers all eligible employees (as defined) who are at least 21 years of age and provides for (a) elective contributions to be made by participants on a pretax basis and (b) discretionary employer contributions. Participants can begin participation at the beginning of each quarter during the year they become eligible. For all employees, vesting in the Organizations' contributions begins after the second year of service and in increments of 25% per year, until fully vested after five years of service.

Contributions to the Plan were \$16,767 for the year ended June 30, 2017. There were no contributions to the Plan for the year ended June 30, 2016. Deborah's Place absorbs all administrative costs of the Plan.

(11) Prior year comparative totals

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated financial statements for the fiscal year ended June 30, 2016, from which the summarized information was derived.

(12) Subsequent events

The Organizations have evaluated subsequent events through October 25, 2017, the date which the consolidated financial statements were available to be issued.

**ADDITIONAL INFORMATION
AND
SUPPORTING DATA**



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION AND SUPPORTING DATA

To the Board of Directors

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

We have audited the consolidated financial statements of Deborah's Place & Affiliated Organizations as of and for the year ended June 30, 2017, and have issued our report thereon dated October 25, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The following consolidating schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

Chicago, Illinois
October 25, 2017

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

ADDITIONAL INFORMATION - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	<u>Deborah's Place</u>	<u>Deborah's Place II</u>	<u>Deborah's Place III</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,337,606	\$ 261,344	\$ 136,148	\$ -	\$ 1,735,098
Accounts receivable	4,133	5,106	1,981	-	11,220
Grants receivable	178,692	-	-	-	178,692
Contributions receivable	133,309	-	-	-	133,309
Due from affiliate	183,052	-	-	(183,052)	-
Prepaid expenses, deposits and other	351,034	-	-	(262,480)	88,554
Operating, replacement and insurance reserves	-	-	958,507	-	958,507
Investments	1,110,556	-	-	-	1,110,556
Land, buildings and equipment, net	564,525	1,176,512	4,361,336	-	6,102,373
Intangible assets	-	-	12,635	-	12,635
TOTAL ASSETS	<u>\$ 3,862,907</u>	<u>\$ 1,442,962</u>	<u>\$ 5,470,607</u>	<u>\$ (445,532)</u>	<u>\$ 10,330,944</u>
<u>LIABILITIES</u>					
Mortgage notes payable, net of debt issuance costs	\$ -	\$ 2,752,694	\$ 3,585,396	\$ -	\$ 6,338,090
Accounts payable and other accrued expenses	121,998	13,374	45,910	-	181,282
Due to affiliate	-	21,113	161,939	(183,052)	-
TOTAL LIABILITIES	<u>121,998</u>	<u>2,787,181</u>	<u>3,793,245</u>	<u>(183,052)</u>	<u>6,519,372</u>
<u>NET ASSETS</u>					
Unrestricted:					
Operations	2,783,361	(1,344,219)	1,677,362	(262,480)	2,854,024
Board designated for Endowment Fund	805,011	-	-	-	805,011
Temporarily restricted	152,537	-	-	-	152,537
TOTAL NET ASSETS	<u>3,740,909</u>	<u>(1,344,219)</u>	<u>1,677,362</u>	<u>(262,480)</u>	<u>3,811,572</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,862,907</u>	<u>\$ 1,442,962</u>	<u>\$ 5,470,607</u>	<u>\$ (445,532)</u>	<u>\$ 10,330,944</u>

DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

ADDITIONAL INFORMATION - CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017

	Deborah's Place	Deborah's Place II	Deborah's Place III	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS					
UNRESTRICTED REVENUE AND SUPPORT					
Support:					
Individuals	\$ 609,057	\$ -	\$ -	\$ -	\$ 609,057
Foundations, churches, corporations and organizations	715,060	-	-	-	715,060
Government grants and contracts	1,782,451	-	-	-	1,782,451
In-kind services	75,483	-	-	-	75,483
Fundraising events	176,931	-	-	-	176,931
TOTAL SUPPORT	3,358,982	-	-	-	3,358,982
Program revenue:					
Rent and rent subsidy	-	437,796	667,879	(91,097)	1,014,578
Program rents	23,229	-	-	-	23,229
Other program revenue	17,281	-	-	-	17,281
TOTAL PROGRAM REVENUE	40,510	437,796	667,879	(91,097)	1,055,088
Other sources:					
Management fees	73,512	-	-	(73,512)	-
Interest and dividends	43,489	495	3,323	-	47,307
Realized and unrealized gain on investments	65,051	-	-	-	65,051
Other income (loss)	(227)	-	6,571	-	6,344
TOTAL OTHER SOURCES	181,825	495	9,894	(73,512)	118,702
Grant to Deborah's Place II	(53,000)	53,000	-	-	-
Net assets released from restriction	203,663	17,383	-	-	221,046
TOTAL UNRESTRICTED REVENUE AND SUPPORT	3,731,980	508,674	677,773	(164,609)	4,753,818
FUNCTIONAL EXPENSES					
Program services:					
Housing Programs & Services	1,881,751	-	-	(75,546)	1,806,205
Community Housing & Services	309,376	-	-	(1,367)	308,009
Clinical & Health Services	640,411	-	-	(4,229)	636,182
Deborah's Place II	-	559,184	-	(29,064)	530,120
Deborah's Place III	-	-	1,096,028	(44,448)	1,051,580
TOTAL PROGRAM SERVICES	2,831,538	559,184	1,096,028	(154,654)	4,332,096
Supporting services:					
Management and general	424,510	-	-	(9,955)	414,555
Fundraising	272,705	-	-	-	272,705
TOTAL SUPPORTING SERVICES	697,215	-	-	(9,955)	687,260
TOTAL FUNCTIONAL EXPENSES	3,528,753	559,184	1,096,028	(164,609)	5,019,356
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	203,227	(50,510)	(418,255)	-	(265,538)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Support	150,700	-	-	-	150,700
Net assets released from restriction	(203,663)	(17,383)	-	-	(221,046)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(52,963)	(17,383)	-	-	(70,346)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	150,264	(67,893)	(418,255)	-	(335,884)
EQUITY CONTRIBUTIONS	-	-	134,480	(134,480)	-
NET ASSETS (DEFICIT), BEGINNING OF YEAR	3,590,645	(1,276,326)	1,961,137	(128,000)	4,147,456
TOTAL NET ASSETS (DEFICIT), END OF YEAR	\$ 3,740,909	\$ (1,344,219)	\$ 1,677,362	\$ (262,480)	\$ 3,811,572