

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2018



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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, 2018, 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 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 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, 2018, 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' 2017 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Mayer Hoffman McCann P.C.*

Chicago, Illinois  
November 5, 2018

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

June 30, 2018 (with Comparative Totals for 2017)

	<b>2018</b>	<b>2017</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,962,527	\$ 1,735,098
Accounts receivable	19,746	11,220
Grants receivable	148,338	178,692
Contributions receivable	198,761	133,309
Prepaid expenses, deposits and other	129,140	88,554
Operating, replacement and insurance reserves	987,989	958,507
Investments	3,350,802	1,110,556
Land, buildings and equipment, net	5,291,768	6,102,373
Intangible assets	12,635	12,635
<b>TOTAL ASSETS</b>	<b>\$ 12,101,706</b>	<b>\$ 10,330,944</b>
<b><u>LIABILITIES</u></b>		
Mortgage notes payable, net of debt issuance costs	\$ 6,332,271	\$ 6,338,090
Accounts payable and other accrued expenses	158,558	181,282
<b>TOTAL LIABILITIES</b>	<b>6,490,829</b>	<b>6,519,372</b>
<b><u>NET ASSETS</u></b>		
Unrestricted:		
Operations	1,355,831	2,854,024
Board designated for operating reserves	921,935	-
Board designated for Mission 600 Fund	1,033,004	-
Board designated for Endowment Fund	-	805,011
Temporarily restricted	300,107	152,537
Permanently restricted	2,000,000	-
<b>TOTAL NET ASSETS</b>	<b>5,610,877</b>	<b>3,811,572</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,101,706</b>	<b>\$ 10,330,944</b>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2018 (with Comparative Totals for 2017)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2018	2017
<b>REVENUE AND SUPPORT</b>					
Support:					
Individuals	\$ 879,189	\$ -	\$ -	\$ 879,189	\$ 609,057
Foundations, churches, corporations and organizations	558,813	291,283	2,000,000	2,850,096	865,760
Government grants and contracts	1,966,747	-	-	1,966,747	1,782,451
In-kind services	68,314	-	-	68,314	75,483
Fundraising events	136,394	-	-	136,394	176,931
<b>TOTAL SUPPORT</b>	<b>3,609,457</b>	<b>291,283</b>	<b>2,000,000</b>	<b>5,900,740</b>	<b>3,509,682</b>
Program revenue:					
Rent and rent subsidy	1,118,075	-	-	1,118,075	1,014,578
Program rents	28,058	-	-	28,058	23,229
Other program revenue	13,901	-	-	13,901	17,281
<b>TOTAL PROGRAM REVENUE</b>	<b>1,160,034</b>	<b>-</b>	<b>-</b>	<b>1,160,034</b>	<b>1,055,088</b>
Other sources:					
Interest and dividends	81,280	4,131	-	85,411	47,307
Realized and unrealized gain (loss) on investments	(10,019)	4,693	-	(5,326)	65,051
Other income	1,643	-	-	1,643	6,344
<b>TOTAL OTHER SOURCES</b>	<b>72,904</b>	<b>8,824</b>	<b>-</b>	<b>81,728</b>	<b>118,702</b>
Net assets released from restriction	152,537	(152,537)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,994,932</b>	<b>147,570</b>	<b>2,000,000</b>	<b>7,142,502</b>	<b>4,683,472</b>

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, 2018 (with Comparative Totals for 2017)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total 2018	2017
<b>FUNCTIONAL EXPENSES</b>					
Program services:					
Housing Programs & Services	\$ 1,937,718	-	-	\$ 1,937,718	\$ 1,806,205
Community Housing & Services	44,089	-	-	44,089	308,009
Clinical & Health Services	803,548	-	-	803,548	636,182
Deborah's Place II	549,980	-	-	549,980	530,120
Deborah's Place III	1,027,696	-	-	1,027,696	1,051,580
<b>TOTAL PROGRAM SERVICES</b>	<u>4,363,031</u>	<u>-</u>	<u>-</u>	<u>4,363,031</u>	<u>4,332,096</u>
Supporting services:					
Management and general	637,058	-	-	637,058	414,555
Fundraising	343,108	-	-	343,108	272,705
<b>TOTAL SUPPORTING SERVICES</b>	<u>980,166</u>	<u>-</u>	<u>-</u>	<u>980,166</u>	<u>687,260</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>5,343,197</u>	<u>-</u>	<u>-</u>	<u>5,343,197</u>	<u>5,019,356</u>
<b>INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS</b>	<u>(348,265)</u>	<u>147,570</u>	<u>2,000,000</u>	<u>1,799,305</u>	<u>(335,884)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,659,035</u>	<u>152,537</u>	<u>-</u>	<u>3,811,572</u>	<u>4,147,456</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 3,310,770</u>	<u>\$ 300,107</u>	<u>\$ 2,000,000</u>	<u>\$ 5,610,877</u>	<u>\$ 3,811,572</u>

See Notes to Consolidated Financial Statements

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

Year Ended June 30, 2018 (with Comparative Totals for 2017)

	Program Services					Total
	Housing Programs & Services	Community Housing & Services	Clinical & Health Services	Deborah's Place II	Deborah's Place III	
Salaries and wages	\$ 961,553	\$ 7,911	\$ 587,460	\$ 211,278	\$ 298,017	\$ 2,066,219
Payroll taxes	74,465	715	44,853	17,046	23,050	160,129
Employee benefits	120,474	1,727	91,997	21,783	55,852	291,833
Repairs and maintenance	69,470	6,850	-	55,424	119,783	251,527
Dues and subscriptions	848	-	14	-	-	862
Professional fees and contract services	54,931	1,811	18,344	8,893	11,831	95,810
Specific assistance to individuals	116,020	7,367	25,186	-	124	148,697
Insurance	15,795	64	3,928	18,705	34,086	72,578
Stationery and printing	-	-	-	-	-	-
Postage	77	303	251	144	50	825
Utilities	18,387	-	1,147	63,709	108,228	191,471
Recruiting	-	-	-	-	-	-
Supplies	20,828	209	1,752	479	1,102	24,370
Bad debt	-	-	-	3,678	794	4,472
Telephone	8,694	823	8,659	2,695	3,608	24,479
Transportation for staff	724	617	10,733	605	272	12,951
Rent	65,757	7,964	3,158	-	-	76,879
Property taxes	-	-	-	1,322	-	1,322
Interest	-	-	-	1	1,183	1,184
Building and equipment	10,401	391	5,846	6,971	769	24,378
Depreciation	398,093	-	-	137,207	368,784	904,084
Miscellaneous	1,201	7,337	220	40	163	8,961
<b>TOTAL EXPENSES</b>	<b>\$ 1,937,718</b>	<b>\$ 44,089</b>	<b>\$ 803,548</b>	<b>\$ 549,980</b>	<b>\$ 1,027,696</b>	<b>\$ 4,363,031</b>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - Continued**

Year Ended June 30, 2018 (with Comparative Totals for 2017)

	Supporting Services			Total
	Management and General	Fundraising	Supporting Services	
Salaries and wages	\$ 367,960	\$ 214,007	\$ 581,967	\$ 2,648,186
Payroll taxes	28,465	16,278	44,743	204,872
Employee benefits	60,390	36,893	97,283	389,116
Repairs and maintenance	5,558	-	5,558	257,085
Dues and subscriptions	8,538	547	9,085	9,947
Professional fees and contract services	110,298	19,455	129,753	225,563
Specific assistance to individuals	-	-	-	148,697
Insurance	16,423	812	17,235	89,813
Stationery and printing	210	9,947	10,157	11,160
Postage	1,932	2,609	4,541	5,366
Utilities	-	-	-	191,471
Recruiting	2,794	-	2,794	2,794
Supplies	6,672	22,286	28,958	53,328
Bad debt	-	-	-	4,472
Telephone	8,501	-	8,501	32,980
Transportation for staff	321	322	643	13,594
Rent	-	-	-	76,879
Property taxes	-	-	-	1,322
Interest	-	-	-	1,184
Building and equipment	-	-	-	24,378
Depreciation	9,901	-	9,901	913,985
Miscellaneous	9,095	19,952	29,047	38,008
<b>TOTAL EXPENSES</b>	<b>\$ 637,058</b>	<b>\$ 343,108</b>	<b>\$ 980,166</b>	<b>\$ 5,343,197</b>
				<b>\$ 2,574,337</b>
				<b>213,371</b>
				<b>391,902</b>
				<b>266,926</b>
				<b>6,532</b>
				<b>225,478</b>
				<b>145,883</b>
				<b>89,157</b>
				<b>11,160</b>
				<b>6,384</b>
				<b>217,670</b>
				<b>1,683</b>
				<b>67,614</b>
				<b>3,843</b>
				<b>31,981</b>
				<b>12,479</b>
				<b>68,351</b>
				<b>1,223</b>
				<b>1,186</b>
				<b>23,683</b>
				<b>635,230</b>
				<b>23,283</b>
				<b>\$ 5,019,356</b>

See Notes to Consolidated Financial Statements



**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2018 (with Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in consolidated net assets	\$ 1,799,305	\$ (335,884)
Adjustments to reconcile increase (decrease) in consolidated net assets to net cash flows from operating activities:		
Depreciation	913,985	635,230
Deferred financing costs recognized	1,182	1,182
Realized and unrealized (gain) loss on investments	5,326	(65,051)
Bad debt provision	4,472	3,843
Decrease (increase) in operating assets:		
Accounts, grants and contributions receivable	(48,096)	101,371
Prepaid expenses, deposits and other	(40,586)	17,589
Operating, replacement and insurance reserves	(29,482)	40,149
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued expenses	(22,724)	48,773
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2,583,382</u>	<u>447,202</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(103,380)	(193,880)
Proceeds from sale of investments	306,145	106,715
Purchase of investments	(2,551,717)	(141,311)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(2,348,952)</u>	<u>(228,476)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(7,001)	(7,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	227,429	211,726
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,735,098</u>	<u>1,523,372</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,962,527</u>	<u>\$ 1,735,098</u>

## 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. ("DP 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.

DP III Corp. was formed to serve as the general partner of Deborah's Place III Limited Partnership ("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.

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). At the end of the fiscal year, this program started transitioning from a project-based to a community-based program, wherein the 30 women will live in their own apartments in the community. The leases will be held by Deborah's Place, which will continue to provide a full range of supportive services to the tenants. Residential services are also provided for the tenants of the Patty Crowley Apartments and the Rebecca Johnson Apartments. Community Centers at both sites provide access to computers, budgeting, tutoring, art therapy, employment guidance, and programs designed to strengthen daily living skills and engagement. Deborah's Place offers pre-tenancy services to people who are experiencing homelessness and are preparing the documentation needed to move into housing with Deborah's Place. Services may include assistance in obtaining identification, documentation of homelessness, and disability assessments, as well as referrals for additional assistance and other housing resources if they do not meet program eligibility.

**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, provided through the Clinical and Health Services program, ensures that the participants who remain housed achieve their goals related to income, self-sufficiency, and wellness. An Alumnae Residential Services program provides housing location, landlord support, and engagement services to women who move directly from homelessness to a community-based housing program or who choose to move on from a Deborah's Place project-based housing program into housing in the community.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

**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 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 subsidy under the U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher program. 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.

***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. Through December 31, 2017, each unit had a project-based subsidy under the Section 8 Moderate Rehabilitation program. On January 1, 2018, the subsidies converted to the Section 8 Housing Choice Voucher program. The building is owned by 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.

**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.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

**Board Designated** - In Fiscal Year 2018, the Board of Directors, in order to maintain fiscal operating strength and stability, instituted a policy of maintaining three months of operating reserves. These funds are to be used only with Board approval and include a pool of liquid assets sufficient to cover Deborah's Place's payroll costs for two months. The Board of Directors also designated assets previously designated by the Board of Directors as an Endowment Fund, as the Mission 600 Fund. These funds are to be used only with Board approval, to invest in opportunities that will substantially support the advancement of Deborah's Place's strategic goals.

**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.

**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, 2018 and 2017, was \$1,797 and \$13,727, 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, 2018 and 2017, was \$913,985 and \$635,230, 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.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

**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.

**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.

**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 2018 or 2017.

**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 2018 and 2017, volunteers provided approximately 3,702 hours and 8,021 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 \$4,085 and \$5,575 as of June 30, 2018 and 2017, 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 \$64,229 and \$69,908 for the years ended June 30, 2018 and 2017, 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.

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**(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 2019 except \$80,000 which will be collected in Fiscal Year 2020.

**(3) Investments**

Investments as of June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Stated at fair value:		
Mutual funds	\$ 3,041,827	\$ 805,011
Certificate of deposit	308,975	305,545
Total	<u>\$ 3,350,802</u>	<u>\$ 1,110,556</u>

**(4) Land, buildings and equipment**

Land, buildings and equipment as of June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Cost:		
Land	\$ 258,000	\$ 258,000
Buildings and improvements	15,632,264	15,618,867
Furniture and equipment	543,838	457,727
Vehicles	20,752	20,752
Total cost	<u>16,454,854</u>	<u>16,355,346</u>
Accumulated depreciation	<u>(11,163,086)</u>	<u>(10,252,973)</u>
Net land, buildings and equipment	<u>\$ 5,291,768</u>	<u>\$ 6,102,373</u>

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(5) Mortgage notes payable**

Mortgage note payable to the Chicago Department of Planning and Development ("CDPD") (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 CDPD at June 30, 2018 and 2017, was \$2,275,694.

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, 2018 and 2017, was \$476,000 and \$477,000, 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, 2018 and 2017, was \$3,191,000 and \$3,197,000, respectively.

Second mortgage note payable to the CDPD 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 the CDPD at June 30, 2018 and 2017, was \$400,000.

Scheduled principal reductions are as follows:

Years Ending June 30,

2019	\$	7,000
2020		7,000
2021		7,000
2022		7,000
2023		7,000
Thereafter		6,307,694
<b>Total</b>		<b>\$ 6,342,694</b>

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(5) Mortgage notes payable (continued)**

Mortgage notes payable at June 30, 2018 and 2017, were \$6,332,271 and \$6,338,090, respectively. The notes payable for 2018 and 2017 consist of:

	<b>2018</b>	<b>2017</b>
Mortgage notes payable	\$ 6,342,694	\$ 6,349,694
Less: unamortized debt issuance costs	(10,423)	(11,604)
Mortgage notes payable, net	\$ 6,332,271	\$ 6,338,090

Loan costs are being recognized as interest expense on a straight-line basis over the terms of the mortgage notes. Interest expense recognized for the years ended June 30, 2018 and 2017 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 2018 or 2017.

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, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Replacement reserve	\$ 172,393	\$ 151,796
Operating deficit reserve	759,615	751,340
Insurance reserve	55,981	55,371
Total	\$ 987,989	\$ 958,507



**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 2018 assessment year.

**(8) Temporarily and permanently restricted net assets**

At June 30, 2018 and 2017, the amounts included in temporarily restricted net assets are restricted for the following purposes:

	<u>Temporarily Restricted as of June 30, 2017</u>	<u>Temporarily Restricted Contributions</u>	<u>Grants Released from Restriction</u>	<u>Temporarily Restricted as of June 30, 2018</u>
DP II improvements	\$ 3,350	\$ -	\$ (3,350)	\$ -
IT Capacity	20,000	15,000	(20,000)	15,000
FY'17 general operations	5,187	-	(5,187)	-
FY'18 general operations	124,000	38,552	(157,602)	4,950
FY'19 general operations	-	118,000	-	118,000
FY'20 general operations	-	80,000	-	80,000
FY'21 general operations	-	73,333	-	73,333
Endowment earnings	-	8,824	-	8,824
Total	<u>\$ 152,537</u>	<u>\$ 333,709</u>	<u>\$ (186,139)</u>	<u>\$ 300,107</u>

The Organizations' permanently restricted net assets consist of one donor-restricted endowment in investments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective June 30, 2009, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA. The Organizations have interpreted the Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as permanently restricted net assets the original value of the gift donated to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA. Approval of appropriations for expenditure is made when a decision is made by the Board of Directors to release a portion of the endowment fund from donor restrictions for spending, in accordance with the terms of the gift instrument. Under the terms of the endowment, the distribution in any given year should not exceed 4% of the value of the endowment fund, as determined by the Organizations' policy.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (8) Temporarily and permanently restricted net assets (continued)

In accordance with Illinois UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund;
- (b) The purposes of the Organizations and the donor-restricted endowment fund;
- (c) General economic conditions;
- (d) The possible effect of inflation and deflation;
- (e) The expected total return from income and the appreciation of investments;
- (f) Other resources of the Organizations; and
- (g) The investment policies of the Organizations.

During Fiscal Year 2018, the endowment fund had investment earnings of \$4,131 and net appreciation of investments of \$4,693. As of June 30, 2018, the Organizations had permanently restricted net assets of \$2,000,000 that were contributed in Fiscal Year 2018.

#### (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%. However, the rent was not increased in 2018, and the minimum future annual rent payment is \$14,358 for Fiscal Year 2019.

Rent expense for the years ended June 30, 2018 and 2017, was \$76,879 and \$68,351, respectively.

#### (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 \$19,844 and \$16,767 for the years ended June 30, 2018 and 2017, respectively. 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements for the fiscal year ended June 30, 2017, from which the summarized information was derived.

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12) Subsequent events**

The Organizations have evaluated subsequent events through November 5, 2018, 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, 2018, and have issued our report thereon dated November 5, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted 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  
November 5, 2018

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**ADDITIONAL INFORMATION - CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

June 30, 2018

	<u>Deborah's Place</u>	<u>Deborah's Place II</u>	<u>Deborah's Place III</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 1,647,892	\$ 253,959	\$ 60,676	\$ -	\$ 1,962,527
Accounts receivable	2,955	12,096	4,695	-	19,746
Grants receivable	148,338	-	-	-	148,338
Contributions receivable	198,761	-	-	-	198,761
Due from affiliate	153,781	-	-	(153,781)	-
Prepaid expenses, deposits and other	391,620	-	-	(262,480)	129,140
Operating, replacement and insurance reserves	-	-	987,989	-	987,989
Investments	3,350,802	-	-	-	3,350,802
Land, buildings and equipment, net	181,154	1,039,305	4,071,309	-	5,291,768
Intangible assets	-	-	12,635	-	12,635
<b>TOTAL ASSETS</b>	<b>\$ 6,075,303</b>	<b>\$ 1,305,360</b>	<b>\$ 5,137,304</b>	<b>\$ (416,261)</b>	<b>\$ 12,101,706</b>
<b><u>LIABILITIES</u></b>					
Mortgage notes payable, net of debt issuance costs	\$ -	\$ 2,751,694	\$ 3,580,577	\$ -	\$ 6,332,271
Accounts payable and other accrued expenses	106,014	12,958	39,586	-	158,558
Due to affiliate	-	4,862	148,919	(153,781)	-
<b>TOTAL LIABILITIES</b>	<b>106,014</b>	<b>2,769,514</b>	<b>3,769,082</b>	<b>(153,781)</b>	<b>6,490,829</b>
<b><u>NET ASSETS</u></b>					
Unrestricted:					
Operations	1,714,243	(1,464,154)	1,368,222	(262,480)	1,355,831
Board designated for operating reserves	921,935	-	-	-	921,935
Board designated for Mission 600 Fund	1,033,004	-	-	-	1,033,004
Temporarily restricted	300,107	-	-	-	300,107
Permanently restricted	2,000,000	-	-	-	2,000,000
<b>TOTAL NET ASSETS</b>	<b>5,969,289</b>	<b>(1,464,154)</b>	<b>1,368,222</b>	<b>(262,480)</b>	<b>5,610,877</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,075,303</b>	<b>\$ 1,305,360</b>	<b>\$ 5,137,304</b>	<b>\$ (416,261)</b>	<b>\$ 12,101,706</b>

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

Year Ended June 30, 2018

	<u>Deborah's Place</u>	<u>Deborah's Place II</u>	<u>Deborah's Place III</u>	<u>Eliminations</u>	<u>Total</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>					
<b>UNRESTRICTED REVENUE AND SUPPORT</b>					
Support:					
Individuals	\$ 879,189	\$ -	\$ -	\$ -	\$ 879,189
Foundations, churches, corporations and organizations	558,813	-	-	-	558,813
Government grants and contracts	1,966,747	-	-	-	1,966,747
In-kind services	68,314	-	-	-	68,314
Fundraising events	136,394	-	-	-	136,394
<b>TOTAL SUPPORT</b>	<b>3,609,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,609,457</b>
Program revenue:					
Rent and rent subsidy	-	458,488	750,684	(91,097)	1,118,075
Program rents	28,058	-	-	-	28,058
Other program revenue	13,901	-	-	-	13,901
<b>TOTAL PROGRAM REVENUE</b>	<b>41,959</b>	<b>458,488</b>	<b>750,684</b>	<b>(91,097)</b>	<b>1,160,034</b>
Other sources:					
Management fees	73,512	-	-	(73,512)	-
Interest and dividends	69,634	621	11,025	-	81,280
Realized and unrealized loss on investments	(10,019)	-	-	-	(10,019)
Other income	348	-	1,295	-	1,643
<b>TOTAL OTHER SOURCES</b>	<b>133,475</b>	<b>621</b>	<b>12,320</b>	<b>(73,512)</b>	<b>72,904</b>
Net assets released from restriction	152,537	-	-	-	152,537
<b>TOTAL UNRESTRICTED REVENUE AND SUPPORT</b>	<b>3,937,428</b>	<b>459,109</b>	<b>763,004</b>	<b>(164,609)</b>	<b>4,994,932</b>
<b>FUNCTIONAL EXPENSES</b>					
Program services:					
Housing Programs & Services	2,014,227	-	-	(76,509)	1,937,718
Community Housing & Services	44,209	-	-	(120)	44,089
Clinical & Health Services	809,255	-	-	(5,707)	803,548
Deborah's Place II	-	579,044	-	(29,064)	549,980
Deborah's Place III	-	-	1,072,144	(44,448)	1,027,696
<b>TOTAL PROGRAM SERVICES</b>	<b>2,867,691</b>	<b>579,044</b>	<b>1,072,144</b>	<b>(155,848)</b>	<b>4,363,031</b>
Supporting services:					
Management and general	645,819	-	-	(8,761)	637,058
Fundraising	343,108	-	-	-	343,108
<b>TOTAL SUPPORTING SERVICES</b>	<b>988,927</b>	<b>-</b>	<b>-</b>	<b>(8,761)</b>	<b>980,166</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>3,856,618</b>	<b>579,044</b>	<b>1,072,144</b>	<b>(164,609)</b>	<b>5,343,197</b>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>80,810</b>	<b>(119,935)</b>	<b>(309,140)</b>	<b>-</b>	<b>(348,265)</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Support	291,283	-	-	-	291,283
Interest and dividends	4,131	-	-	-	4,131
Realized and unrealized gain on investments	4,693	-	-	-	4,693
Net assets released from restriction	(152,537)	-	-	-	(152,537)
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>147,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,570</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>					
Support	2,000,000	-	-	-	2,000,000
<b>INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS</b>	<b>2,228,380</b>	<b>(119,935)</b>	<b>(309,140)</b>	<b>-</b>	<b>1,799,305</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>3,740,909</b>	<b>(1,344,219)</b>	<b>1,677,362</b>	<b>(262,480)</b>	<b>3,811,572</b>
<b>TOTAL NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 5,969,289</b>	<b>\$ (1,464,154)</b>	<b>\$ 1,368,222</b>	<b>\$ (262,480)</b>	<b>\$ 5,610,877</b>