

**ASSOCIATION HOUSE OF CHICAGO
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**



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**ASSOCIATION HOUSE OF CHICAGO
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Association House of Chicago
Chicago, Illinois

We have audited the accompanying financial statements of Association House of Chicago (the Agency), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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 the 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

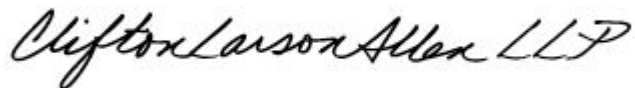
Board of Directors
Association House of Chicago

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association House of Chicago as of June 30, 2021 and 2020, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 2, 2021

**ASSOCIATION HOUSE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,482,382	\$ 1,869,013
Government Grants Receivable, Net	1,090,126	1,381,412
Other Receivables	442,100	352,732
Refundable Grant Advance	572	138,538
Prepaid Expenses and Other Assets	207,153	61,414
Board Designated Investments	17,531,765	13,379,473
Total Current Assets	20,754,098	17,182,582
PROPERTY AND EQUIPMENT, NET	3,896,642	4,467,181
Total Assets	\$ 24,650,740	\$ 21,649,763
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 401,643	\$ 228,989
Accrued Payroll	671,801	645,597
Paycheck Protection Program Refundable Advance	448,831	1,181,995
Other Accruals	379,920	458,062
Current Portion of Bonds Payable	318,000	311,000
Total Current Liabilities	2,220,195	2,825,643
BONDS PAYABLE, NET OF UNAMORTIZED DEBT ISSUANCE COSTS	3,874,403	4,179,245
Total Liabilities	6,094,598	7,004,888
NET ASSETS		
Without Donor Restrictions:		
Undesignated	247,794	469,003
Board Designated	17,531,765	13,379,473
With Donor Restrictions	776,583	796,399
Total Net Assets	18,556,142	14,644,875
Total Liabilities and Net Assets	\$ 24,650,740	\$ 21,649,763

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Public Support:			
Direct:			
Contributions and Bequests:			
Foundations and Trusts	\$ 8,740	\$ 342,275	\$ 351,015
Other Charitable Contributions	291,715	222,177	513,892
Indirect:			
United Way/Crusade of Mercy, Inc.	51,447	-	51,447
Direct Program Revenue:			
Fees and Grants from Governmental Agencies	12,538,858	375,447	12,914,305
Program Service Fees	188,642	-	188,642
Other Revenue:			
PPP Refundable Advance - Conditional Contribution	733,164	-	733,164
Miscellaneous Income	84,871	-	84,871
Investment Income, Net	4,152,292	-	4,152,292
Rental Income	92,929	-	92,929
Net Assets Released from Restrictions and Other Reclassifications	959,715	(959,715)	-
Total Revenues and Other Support	19,102,373	(19,816)	19,082,557
EXPENSES			
Program Services:			
Child Welfare	2,982,287	-	2,982,287
Community Health and Workforce Development	1,133,462	-	1,133,462
High School	1,677,239	-	1,677,239
Behavioral Health	7,425,931	-	7,425,931
Other Programs	118,978	-	118,978
Total Program Services Expenses	13,337,897	-	13,337,897
Supporting Services:			
Management and General	1,578,171	-	1,578,171
Fundraising	255,222	-	255,222
Total Supporting Services Expenses	1,833,393	-	1,833,393
Total Expenses	15,171,290	-	15,171,290
CHANGES IN NET ASSETS	3,931,083	(19,816)	3,911,267
Net Assets - Beginning of Year	13,848,476	796,399	14,644,875
NET ASSETS - END OF YEAR	\$ 17,779,559	\$ 776,583	\$ 18,556,142

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Public Support:			
Direct:			
Contributions and Bequests:			
Foundations and Trusts	\$ 379,607	\$ 328,500	\$ 708,107
Other Charitable Contributions	64,521	368,780	433,301
Indirect:			
United Way/Crusade of Mercy, Inc.	113,129	-	113,129
Direct Program Revenue:			
Fees and Grants from Governmental Agencies	10,167,697	261,194	10,428,891
Program Service Fees	173,000	-	173,000
Other Revenue:			
PPP Refundable Advance - Conditional Contribution	490,005	-	490,005
Miscellaneous Income	126,881	-	126,881
Investment Income, Net	757,821	-	757,821
Rental Income	95,751	-	95,751
Net Assets Released from Restrictions and Other Reclassifications	1,293,566	(1,293,566)	-
Total Revenues and Other Support	<u>13,661,978</u>	<u>(335,092)</u>	<u>13,326,886</u>
EXPENSES			
Program Services:			
Child Welfare	2,129,056	-	2,129,056
Community Health and Workforce Development	1,051,483	-	1,051,483
High School	1,538,714	-	1,538,714
Behavioral Health	5,361,045	-	5,361,045
Other Programs	231,812	-	231,812
Total Program Services Expenses	<u>10,312,110</u>	<u>-</u>	<u>10,312,110</u>
Supporting Services:			
Management and General	1,404,072	-	1,404,072
Fundraising	202,245	-	202,245
Total Supporting Services Expenses	<u>1,606,317</u>	<u>-</u>	<u>1,606,317</u>
Total Expenses	<u>11,918,427</u>	<u>-</u>	<u>11,918,427</u>
CHANGES IN NET ASSETS	1,743,551	(335,092)	1,408,459
Net Assets - Beginning of Year	<u>12,104,925</u>	<u>1,131,491</u>	<u>13,236,416</u>
NET ASSETS - END OF YEAR	<u>\$ 13,848,476</u>	<u>\$ 796,399</u>	<u>\$ 14,644,875</u>

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,911,267	\$ 1,408,459
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	583,696	582,326
Bad Debt Expense	215,925	210,300
Amortization of Deferred Bond Costs	13,158	13,158
Forgiveness of Paycheck Protection Program Refundable Advance	(733,164)	(490,005)
Net Realized and Unrealized Gain on Board-Designated Investments	(3,940,033)	(563,045)
Effects of Changes in Operating Assets and Liabilities:		
Government Grants Receivable	75,361	(445,294)
Other Receivables	(89,368)	(7,113)
Refundable Grant Advance	137,966	(138,538)
Prepaid Expenses and Other Assets	(145,739)	26,323
Accounts Payable and Other Accruals	94,512	68,184
Accrued Payroll	26,204	250,861
Paycheck Protection Program Refundable Advance	-	1,672,000
Net Cash Provided by Operating Activities	149,785	2,587,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Board-Designated Investments	(3,782,822)	(6,852,955)
Proceeds from Sales and Maturities of Board-Designated Investments	3,557,406	6,658,179
Purchases of Property and Equipment	-	(127,659)
Net Cash Used by Investing Activities	(225,416)	(322,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Repayments on Line of Credit	-	(238,624)
Principal Payments on Bonds Payable	(311,000)	(300,000)
Net Cash Used by Financing Activities	(311,000)	(538,624)
NET INCREASE (DECREASE) IN CASH	(386,631)	1,726,557
Cash - Beginning of Year	1,869,013	142,456
CASH - END OF YEAR	\$ 1,482,382	\$ 1,869,013

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services					Supporting Services				Total
	Child Welfare	Community Health and Workforce Development	High School	Behavioral Health	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,458,762	\$ 605,737	\$ 848,627	\$ 3,438,225	\$ 595,702	\$ 6,947,053	\$ 936,267	\$ 143,971	\$ 1,080,238	\$ 8,027,291
Employee Health	163,423	83,520	112,831	475,196	92,166	927,136	51,898	18,205	70,103	997,239
Payroll Taxes and Other Benefits	125,175	54,671	81,499	305,615	52,134	619,094	87,439	13,055	100,494	719,588
Total Salaries and Related Expenses	1,747,360	743,928	1,042,957	4,219,036	740,002	8,493,283	1,075,604	175,231	1,250,835	9,744,118
Professional Fees and Services	148,270	-	15,000	1,870,935	-	2,034,205	130,641	25,000	155,641	2,189,846
Supplies	80,952	90,086	98,956	113,930	5,766	389,690	6,790	6,287	13,077	402,767
Telephone and Communications	6,300	4,346	4,499	24,960	3,648	43,753	1,321	149	1,470	45,223
Postage and Shipping	1,465	1,593	2,591	588	-	6,237	1,685	164	1,849	8,086
Occupancy	8,362	5,000	4,544	71,436	274,904	364,246	-	434	434	364,680
Headquarters Facility Occupancy - Allocated	190,553	197,118	440,223	628,175	(1,635,150)	(179,081)	157,204	21,877	179,081	-
Outside Printing	5,522	5,711	13,163	18,202	-	42,598	4,555	1,523	6,078	48,676
Local Transportation	66,002	2,530	609	65,714	343	135,198	1,035	23	1,058	136,256
Conferences and Training	21,916	1,690	14,348	15,695	160	53,809	840	-	840	54,649
Subscriptions and Membership Dues	15,233	5,250	697	15,524	50	36,754	31,499	5,001	36,500	73,254
Foster Care Payments	591,324	-	-	-	-	591,324	-	-	-	591,324
Specific Assistance	44,369	59,384	13,300	79,163	-	196,216	-	-	-	196,216
Awards and Gifts	661	250	-	3,580	700	5,191	2,425	-	2,425	7,616
Equipment Expenses	-	-	-	125	-	125	-	-	-	125
Equipment Rental	512	384	768	2,240	-	3,904	320	-	320	4,224
Interest	-	-	-	7,075	119,089	126,164	-	-	-	126,164
Bad Debt Expense	30,971	5,400	440	179,114	-	215,925	-	-	-	215,925
Annual Gala Expenses	-	261	-	-	-	261	-	15,642	15,642	15,903
Miscellaneous	22,515	8,221	24,440	79,740	59,483	194,399	164,252	3,891	168,143	362,542
Total Expenses Before Depreciation	2,982,287	1,131,152	1,676,535	7,395,232	(431,005)	12,754,201	1,578,171	255,222	1,833,393	14,587,594
Depreciation	-	2,310	704	30,699	549,983	583,696	-	-	-	583,696
Total Functional Expenses	\$ 2,982,287	\$ 1,133,462	\$ 1,677,239	\$ 7,425,931	\$ 118,978	\$ 13,337,897	\$ 1,578,171	\$ 255,222	\$ 1,833,393	\$ 15,171,290

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services					Supporting Services				Total
	Child Welfare	Community Health and Workforce Development	High School	Behavioral Health	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,116,885	\$ 546,674	\$ 805,987	\$ 2,893,077	\$ 706,578	\$ 6,069,201	\$ 791,138	\$ 144,839	\$ 935,977	\$ 7,005,178
Employee Health	103,524	63,348	88,246	345,367	70,793	671,278	64,273	16,628	80,901	752,179
Payroll Taxes and Other Benefits	100,795	49,370	67,905	262,468	47,354	527,892	67,514	12,456	79,970	607,862
Total Salaries and Related Expenses	1,321,204	659,392	962,138	3,500,912	824,725	7,268,371	922,925	173,923	1,096,848	8,365,219
Professional Fees and Services	87,769	4,870	17	508,970	-	601,626	141,398	-	141,398	743,024
Supplies	48,517	75,626	59,232	96,242	9,264	288,881	14,707	-	14,707	303,588
Telephone and Communications	6,419	3,740	4,340	18,612	3,704	36,815	1,348	145	1,493	38,308
Postage and Shipping	999	981	1,943	865	59	4,847	1,321	19	1,340	6,187
Occupancy	42,741	-	13,247	41,137	364,310	461,435	-	-	-	461,435
Headquarters Facility Occupancy - Allocated	203,433	201,847	460,220	656,727	(1,695,764)	(173,537)	152,353	21,184	173,537	-
Outside Printing	5,902	6,232	13,708	18,928	-	44,770	6,002	675	6,677	51,447
Local Transportation	64,901	7,791	4,769	91,958	212	169,631	3,755	194	3,949	173,580
Conferences and Training	432	8,092	3,305	4,969	200	16,998	1,398	-	1,398	18,396
Subscriptions and Membership Dues	25,202	6,205	329	21,448	43	53,227	46,830	886	47,716	100,943
Foster Care Payments	249,032	-	-	-	-	249,032	-	-	-	249,032
Specific Assistance	46,626	60,401	8,523	79,643	-	195,193	3,500	100	3,600	198,793
Awards and Gifts	250	400	75	1,656	-	2,381	500	-	500	2,881
Equipment Expenses	-	-	-	3,079	-	3,079	466	-	466	3,545
Equipment Rental	384	256	768	2,432	-	3,840	1,526	-	1,526	5,366
Interest	-	-	-	7,582	127,630	135,212	1,584	-	1,584	136,796
Bad Debt Expense	17,125	-	-	193,175	-	210,300	-	-	-	210,300
Annual Gala Expenses	-	-	-	-	-	-	-	3,855	3,855	3,855
Miscellaneous	8,120	6,723	5,396	93,461	43,983	157,683	104,459	1,264	105,723	263,406
Total Expenses Before Depreciation	2,129,056	1,042,556	1,538,010	5,341,796	(321,634)	9,729,784	1,404,072	202,245	1,606,317	11,336,101
Depreciation	-	8,927	704	19,249	553,446	582,326	-	-	-	582,326
Total Functional Expenses	\$ 2,129,056	\$ 1,051,483	\$ 1,538,714	\$ 5,361,045	\$ 231,812	\$ 10,312,110	\$ 1,404,072	\$ 202,245	\$ 1,606,317	\$ 11,918,427

See accompanying Notes to Financial Statements.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

For more than 120 years, Association House of Chicago (the Agency) has worked with Chicagoans who need tools to lead better lives. Today, the Agency is based in the Humboldt Park community and offers programming locally and city-wide to a multicultural, mostly Latino and African-American, population of all ages. The Agency provides immediate assistance and helps participants gain independence through programs across four service areas: child welfare, community health and workforce development, Association House High School, and behavioral health services. These bilingual, evidence-based programs, conducted by seasoned staff in a caring, welcoming environment, give motivated participants a cohesive safety net to turn to throughout life.

Below is a more detailed description of each service area:

Child Welfare Services

A team of professionals protects children in Department of Children and Family Services custody from abuse and neglect and works with families to create safe homes. As the only bilingual foster care provider in the community, our services include child advocacy, parenting education and coaching, home visitation, therapy, and case management. Licensed child welfare staff cares for children affected by trauma, and provides a coordinated network of child-centered, family-focused, and community-based prevention services. We help keep children in their own homes with appropriate support, when possible. We find loving homes through guardianship and adoption, when needed. Intact Family Services prevents the unnecessary separation of children from their families by identifying family problems and risk factors and assisting families in obtaining the education and support they need.

Community Health and Workforce Development

For more than a century, the Agency has opened the doors of opportunity to the community. We offer programs in response to community needs for education, interventions for health issues, and economic improvement, all of which empower individuals to create actionable goals and advance their knowledge, well-being, and financial opportunity. Association House's integrative approach to workforce development helps participants meet their basic needs, while gaining education and developing hard and soft skills to improve their employability and achieve economic stability. We provide access to workforce development opportunities focused on financial careers, digital literacy training, and assistance with resumes and job placement. Staff is also available to offer support for public benefits screening and emergency food assistance. The Community Health focused programs provide direct, community-focused education and services through programs that address persistent health and wellness needs, and implements preventive and intervention strategies to promote physical, social, and emotional well-being. We strive to increase health and wellness at every age by providing health and nutrition education and HIV prevention, education and testing. Staff is certified to provide Youth and Adult Mental Health First Aid training to the community partners and the public.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Association House High School

For many young people, Association House High School is a better chance to earn a high school diploma. With small class sizes and a focus on individual learning, 135 students find academic success, sometimes for the first time. The small school setting provides a creative and caring environment for re-enrolled students; as a result, 92% of eligible seniors graduated. Mentoring and tutoring services are provided to ensure that students are well-prepared for graduation, and to help create pathways for college, trade school, or viable employment. Additionally, the Family Literacy Program provides on-site child care, early childhood education, and parenting training to parent students. Specialized programming is available for 16-year-olds before, during, and after school to encourage engagement and retention. This year, 38 students graduated from the program, overcoming great odds with hard work and high energy to make their dreams come true. Association House High School operates in collaboration with Youth Connection Charter Schools (YCCS), Alternative Schools Network, and the Chicago Public Schools.

Behavioral Health Services

Caring and dedicated bilingual staff provide an array of culturally competent and pioneering prevention, treatment, residential, and educational services to persons with mental and physical health needs, substance abuse and addictions, and developmental disabilities. Children, youth and adults find the help they deserve and the hope they need. Evidence-based programs enhanced with strong partnerships through research and training institutions are offered in English and Spanish. Highly trained and licensed professional staff, including therapists, a psychiatrist, nurses, certified community educators, case managers, and counselors offer integrated care. Our integrated health services program helps clients find a health-home to address their multiple conditions. A medical professional provides regular, integrated primary and mental health monitoring, medication management, education, and support. We are a leader in innovative juvenile justice and violence prevention initiatives and services, which include case management, school-based counseling, and re-entry services for at-risk and system involved youth.

Basis of Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Accounting principles generally accepted in the United States of America establish standards for general purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains, and losses be classified into classes of net assets, based upon the existence or absence of donor-imposed restrictions. A description of the net asset classes applicable to the Agency is as follows:

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Undesignated Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions including the carrying value of all land, buildings, and equipment. Items that increase or decrease this net asset category include amounts received from government agencies, program service fees, and expenses of the Agency. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support, namely contributions without donor restrictions and foundation grants, investment income, restricted contributions and foundation grants whose donor-imposed restrictions were met during the fiscal period.

Board-Designated Net Assets Without Donor Restrictions – The Agency has established a board-designated endowment fund, a portion of which will be available annually to fund board approved projects. The board of directors (board) retains control over the net assets without donor restrictions it has designated.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These amounts are then reclassified to undesignated net assets without donor restrictions.

The Agency has a \$125,000 donor-restricted cash reserve fund reflected as part of net assets with donor restrictions as of June 30, 2021 and 2020. The donor has stipulated that the \$125,000 and any earnings be maintained in perpetuity. Any amounts drawn from the fund are to be repaid as of the close of the following fiscal year.

Use of Estimates in Preparing Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes 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, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Agency maintains its cash balances in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes that the Agency is not exposed to any significant credit risk on cash.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grant Receivables and Other Receivables

Receivables are primarily uncollateralized government obligations stated at the invoice amounts that generally are payable within 30 days of the billing date. Payments of receivables are applied to the specific invoices identified on the funding source's remittance advice, or if unspecified, to the earliest unpaid invoice. Unconditional promises to give cash or property are reported at fair value on the date the pledge is received. The allowance for doubtful accounts for grants and other receivables is based on estimates made by management, historical collection experience, expected future collections, and analysis of individual accounts. If actual amounts collected are lower than management's estimates, the Agency's financial result could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Investments

Investments with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities and changes in net assets as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Contributions of securities from donors are initially recorded at fair value at the time the gift is made.

In determining fair value, the Agency uses various valuation approaches within the accounting principles generally accepted in the United States of America fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting principles generally accepted in the United States of America establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Accounting principles generally accepted in the United States of America define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on adjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchases in excess of \$5,000 are capitalized by the Agency. Property and equipment is stated at cost or fair market value at the time of donation, less accumulated depreciation and amortization. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	10 to 25 Years
Furniture and Equipment	3 to 7 Years
Transportation Equipment	3 to 7 Years

Long-Lived Assets

The Agency evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Agency evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

Deferred Bond Costs

Financing costs incurred in connection with the tax-exempt bonds (see Note 6) have been deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the term of the related bonds.

Revenue Recognition

The Agency derives its revenues primarily from government contracts, program service fees, contributions, and donated services. Recognition of revenue for the Agency's most significant revenue streams is as follows:

Government Contracts and Program Service Fees

The Agency receives a significant portion of its operating funds from grants and awards that are primarily exchange transactions. These funds are reported as without donor restricted support as the grants reimburse the Agency for services provided. Government grants received in advance are recorded initially as deferred revenue and are then recognized as revenue as earned, which generally occurs when services are provided and expenses are incurred. Program service fees consists primarily of revenue received from the State of Illinois which is paid based on a contracted rate per day. As this funding is provided under contract from the funders, all of the related revenue is recognized over time as the performance obligations are either performed or satisfied. Funds earned and not yet received generate contract assets, which are included in the accompanying statements of financial position as government grants receivable, net and other receivables, see Note 2. Funds received and not yet earned generate contract liabilities, which are included in the accompanying statements of financial position as other accruals. Contract liabilities at June 30, 2021 and 2020 are \$342,792 and \$428,232, respectively.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions

Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as with or without donor restricted support depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. See Note 7 related to the partial recognition of the forgiveness of the Paycheck Protection Program Loan.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Agency with specific assistance programs, campaign solicitations, and various committee assignments. No amounts have been reflected in the financial statements for such donated services because they do not meet the criteria for recognition. The Agency records contributions for services requiring specific expertise as defined by accounting principles generally accepted in the United States of America if the service received would have otherwise been incurred by the Agency.

Functional Allocation of Costs

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and categorized by natural classification within the statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated to the respective areas on the basis of ratios estimated by management. Occupancy costs are allocated to programs conducted from the Agency's owned facility based on the actual square footage occupied.

Income Taxes

The Agency is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Agency has determined that it is not required to record a liability related to uncertain tax positions as of June 30, 2021 and 2020.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

The Agency's financial assets available for general expenditures within one year of the statement of financial position date are as follows:

	2021	2020
Cash	\$ 1,482,382	\$ 1,869,013
Receivables	1,532,226	1,734,144
Less: Net Assets Subject to Expenditure for a Specified Purpose	<u>(776,583)</u>	<u>(796,399)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,238,025</u>	<u>\$ 2,806,758</u>

To help manage seasonal liquidity needs, the Agency maintains a credit facility in the amount of \$2.5 million, see Note 5.

Additionally, the Agency has board-designated investments of \$17,531,765 and \$13,379,473, as of June 30, 2021 and 2020, respectively, as described in Note 8. Although the Agency does not intend to spend from these funds other than amounts appropriated to support programs and general operations, amounts could be made available if necessary.

Pending Accounting Standard

Leases

In February 2016, FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Agency's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for the Agency for the fiscal year ending June 30, 2023.

NOTE 2 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES

Included in fees and grants from governmental agencies is \$ 5,739,871 and \$ 3,939,929 for the years ended June 30, 2021 and 2020, respectively, of revenue received from the state of Illinois Department of Human Services. This represents approximately 30% of the Agency's total revenues and other support for 2021 and 2020. Also, included in fees and grants from governmental agencies is \$3,230,657 and \$2,309,831 for the years ended June 30, 2021 and 2020, respectively, of revenue received from the state of Illinois Department of Children and Family Services. This represents approximately 17% of the Agency's total revenues and other support for 2021 and 2020.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 FEES AND GRANTS FROM GOVERNMENTAL AGENCIES (CONTINUED)

Grants receivable represent amounts due from various governmental entities for social services provided by reimbursement contracts and purchase of service contracts. The Agency's grants receivable at June 30, 2021 and 2020 included amounts due from all sources as follows:

	2021	2020
Illinois Department of Children and Family Services	\$ 422,599	\$ 568,576
Center for Disease Control	108,710	184,957
Illinois Department of Human Services	466,741	351,031
Medicaid Managed Care	310,328	587,195
Other	102,081	123,264
Total	<u>1,410,459</u>	<u>1,815,023</u>
Less: Allowance for Doubtful Accounts	<u>(320,333)</u>	<u>(433,611)</u>
Total Grants Receivable	<u>\$ 1,090,126</u>	<u>\$ 1,381,412</u>

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis at June 30, 2021 and 2020 are as follows:

	2021				
	Cost	Total	Level 1	Level 2	Level 3
Fixed Income:					
Mutual Funds	\$ 3,262,039	\$ 3,393,206	\$ 3,393,206	\$ -	\$ -
Equities:					
Domestic	4,393,049	7,997,972	7,997,972	-	-
Mutual Funds - Domestic	2,084,352	3,728,433	3,728,433	-	-
Mutual Funds - International	1,666,611	2,362,776	2,362,776	-	-
Total Assets at Fair Value	<u>11,406,051</u>	<u>17,482,387</u>	<u>\$ 17,482,387</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Short-Term Investments	<u>49,378</u>	<u>49,378</u>			
Total	<u>\$ 11,455,429</u>	<u>\$ 17,531,765</u>			
	2020				
	Cost	Total	Level 1	Level 2	Level 3
Fixed Income:					
Mutual Funds	\$ 2,932,286	\$ 3,057,157	\$ 3,057,157	\$ -	\$ -
Corporate Bonds	100,487	100,306	-	100,306	-
Equities:					
Domestic	3,888,214	5,427,357	5,427,357	-	-
Mutual Funds - Domestic	2,267,792	3,315,684	3,315,684	-	-
Mutual Funds - International	909,520	1,120,943	1,120,943	-	-
Total Assets at Fair Value	<u>10,098,299</u>	<u>13,021,447</u>	<u>\$ 12,921,141</u>	<u>\$ 100,306</u>	<u>\$ -</u>
Cash and Short-Term Investments	<u>358,026</u>	<u>358,026</u>			
Total	<u>\$ 10,456,325</u>	<u>\$ 13,379,473</u>			

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of Level 1 equities, mutual funds, exchange traded funds, and real estate investment trusts is determined by reference to quoted market transactions. Fair value for Level 2 corporate bonds is determined by reference to quoted market transactions in less active markets, such as dealer or broker markets.

Certain of the above investments are held by BMO Harris Bank, N.A. as collateral for a line of credit arrangement (see Note 5).

Investment return from these investments and other interest-bearing accounts is summarized as follows:

	2021	2020
Interest and Dividend Income	\$ 297,569	\$ 271,646
Net Realized and Unrealized Gains	3,940,033	563,045
Investment Fees	(85,310)	(76,870)
Total Investment Returns	<u>\$ 4,152,292</u>	<u>\$ 757,821</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of:

	2021	2020
Land	\$ 615,000	\$ 615,000
Buildings and Improvements	12,211,746	12,211,746
Furniture and Equipment	501,376	501,376
Transportation Equipment	49,573	60,073
Total	<u>13,377,695</u>	<u>13,388,195</u>
Less: Accumulated Depreciation	<u>(9,481,053)</u>	<u>(8,921,014)</u>
Total Property and Equipment	<u>\$ 3,896,642</u>	<u>\$ 4,467,181</u>

The Agency, as landlord, has entered into agreements with other nonprofit organizations to lease space at the facility. Rental income for fiscal years 2021 and 2020 totaled \$92,929 and \$95,751, respectively. These leases are currently on a month-to-month basis.

NOTE 5 LINE OF CREDIT

The Agency maintains an agreement with BMO Harris Bank, N.A., which provides a \$2,500,000 revolving line of credit facility, payable on demand. Amounts drawn against the line of credit bear interest at the bank's prime rate plus 0.50%. The prime rate was 3.25% at June 30, 2021 and 2020.

There were no borrowings under the line of credit agreement at June 30, 2021 and 2020. Any borrowings are secured by certain investments of the Agency held at BMO Harris Bank, N.A.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 BONDS PAYABLE

On April 27, 2016, the Agency issued a Series 2016 Revenue Bond. The proceeds from the Series 2016 Revenue Bond in the amount of \$5,765,000 were used for the following: (a) \$4,649,619 was paid to US Bank, N.A. to repay the Agency's outstanding Series 2007 Revenue Bonds; (b) \$1,000,082 was paid into the Agency's project fund, which is restricted for future capital improvements; (c) \$16,280 in equity contribution was paid by the Agency; and (d) \$131,580 of bond issue costs were paid. These Series 2016 Revenue Bonds are secured by substantially all of the Agency's assets. The bond requires monthly principal installments ranging from \$22,000 to \$36,000, with a final monthly principal payment of \$100,000 due on December 28, 2032, plus interest at 2.812%. The fixed interest rate will reset to reflect market rates in April 2026.

The bond agreements contain certain financial covenants, all of which management believes have been met as of June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total Bonds Payable	\$ 4,256,000	\$ 4,567,000
Less: Unamortized Debt Issuance Costs	<u>63,597</u>	<u>76,755</u>
Total, Net of Unamortized Debt Issuance Costs	4,192,403	4,490,245
Less: Current Maturities	<u>318,000</u>	<u>311,000</u>
Total, Long-Term Bonds Payable	<u><u>\$ 3,874,403</u></u>	<u><u>\$ 4,179,245</u></u>

Future minimum principal payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 318,000
2023	326,000
2024	336,000
2025	347,000
2026	356,000
Thereafter	<u>2,573,000</u>
Total	<u><u>\$ 4,256,000</u></u>

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 PAYCHECK PROTECTION PROGRAM – REFUNDABLE ADVANCE

On April 30, 2020, the Agency received proceeds in the amount of \$1,672,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP). The PPP may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Agency has classified the PPP as a conditional contribution for accounting purposes. The Agency recognized \$733,164 and \$490,005 of conditional contribution revenue related to this agreement during the years ended June 30, 2021 and 2020, respectively, which represents the portion of the PPP funds for which the performance barriers have been met. As of June 30, 2021, the Agency has received partial forgiveness from the SBA and will be required to repay approximately \$450,000 of the PPP proceeds at an interest rate of 1%, which is classified as Paycheck Protection Program Refundable Advance in the 2021 statement of financial position. The repayment agreement is dated July 27, 2021 and calls for 9 monthly payments of principal and interest in the amount of \$50,679 beginning on August 30, 2021 and ending on April 30, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Agency's financial position.

NOTE 8 ENDOWMENT FUND

The board's designated endowment fund (the Fund) consists of investments set aside by the board, to be available to fund board approved expenditures. These assets are invested in the Agency's investment portfolio and all accumulations to the endowment are classified as board-designated. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended June 30, 2021 and 2020, there were no principal contributions to the Fund.

The Agency's investment policy is to maintain, over the long-term, an investment balance that keeps pace with the purchasing power of the dollar. Annual distributions can be approved by the board for use in operations. No distributions were made in the years ended June 30, 2021 and 2020. The board expects future disbursements to be approximately 3.5% of a three-year moving average of the Fund balance.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 ENDOWMENT FUND (CONTINUED)

Return Objectives and Risk Parameters

The finance committee, which oversees the investment portfolio of the Agency with the assistance of the Agency's investment consultants, operates under an investment policy that attempts to provide a predictable stream of income and investment returns. Under these policies, the Fund assets are invested. To obtain the required investment returns on the investment portfolio, a significant portion of the portfolio is invested in equities. The asset allocation emphasizes diversification through the use of mutual funds and a heavy emphasis on large cap equities.

For the years ended June 30, 2021 and 2020, the balance of the Fund was equal to the investments balance. The changes in board-designated endowment net assets for the Agency were as follows for the years ended June 30:

	<u>Without Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Endowment Net Assets - Beginning of Year	\$ 13,379,473	\$ 12,621,652
Investment Return:		
Interest and Dividend Income	297,569	271,646
Realized and Unrealized Gains, Net of Fees	<u>3,854,723</u>	<u>486,175</u>
Total Investment Return	<u>4,152,292</u>	<u>757,821</u>
 Endowment Net Assets - End of Year	 <u>\$ 17,531,765</u>	 <u>\$ 13,379,473</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 were available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Workforce Development	\$ 210,417	\$ 254,762
Health and Nutrition	22,500	35,676
Life Skills Education	2,500	-
Family Literacy	10,000	28,610
Juvenile Justice	-	4,697
Integrated Health	24,999	70,045
Other	1,395	-
 Subject to the Passage of Time:		
Time Restricted Assets	379,772	277,609
 Not Subject to Spending Policy or Appropriation:		
Donor-Restricted Cash Reserve Fund	125,000	125,000
Total Net Assets With Donor Restrictions	<u>\$ 776,583</u>	<u>\$ 796,399</u>

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring costs satisfying the restricted purposes specified by donors or through the satisfaction of time restrictions as follows:

	2021	2020
Time Restrictions	\$ 302,363	\$ 560,810
Various Program Services	657,352	732,756
Total	\$ 959,715	\$ 1,293,566

NOTE 11 EMPLOYEE BENEFIT PLANS

On August 1, 1997, the Agency instituted a qualified 401(k) plan for its employees who meet the age and service requirements as outlined in the plan. For fiscal years ended June 30, 2021 and 2020, the expense recognized for the matching contribution was \$33,776 and \$19,248, respectively.

The Agency's Association House High School, through its relationship with YCCS, is required to contribute to the Chicago Teachers' Pension Fund as required by Chicago Public Schools (CPS). CPS deducts the pension amounts directly from payments made to YCCS, which are reflected as adjustments to YCCS' payments to the Agency. Information pertaining to the arrangement is reflected below:

	2021	2020
Total Pensionable Salaries	\$ 466,882	\$ 410,481
Employees' Contribution Expense Picked up by Employer (4.5%)	21,010	18,472
Employer's Contribution Expense (11.16%)	52,104	45,810
Less: CPS Deduction Amount of Employer's Pension Expense	(52,104)	(45,810)
Pension True-up Amount	\$ -	\$ -

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Agency leases office equipment under an agreement that expires in September 2023. Future minimum rental payments are as follows:

Year Ending June 30,	Amount
2022	\$ 33,000
2023	8,250
Total	\$ 41,250

Rent expense for operating leases was \$48,676 and \$49,272 for the years ended June 30, 2021 and 2020, respectively.

**ASSOCIATION HOUSE OF CHICAGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

State Funding

The Agency receives a significant portion of its operating revenue and support from agencies of the state of Illinois. Payment rates and reimbursement methodologies for the Agency's programs, funded by the state of Illinois agencies, may be subject to change or modification based on the amount of funding made available to the Agency by the state of Illinois. Should such funding changes occur, they could have an adverse effect on the Agency's revenue and support.

Compliance with Grantor Restrictions

The state and federal grants received by the Agency are subject to audit. Management believes that any disallowance of expenditures under these grants would not be material.

Contingencies

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Agency, COVID-19 has and will continue to impact various parts of its operations and financial results. Specifically, the Agency has had to cancel or reschedule various programming activities. Management believes the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 13 CASH FLOW DISCLOSURES

Interest paid for the years ended June 30, 2021 and 2020 totaled \$126,164 and \$136,796, respectively.

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 2, 2021, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to December 2, 2021 that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2021.

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