

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2016



## 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, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Deborah's Place & Affiliated Organizations as of June 30, 2016, 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' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 8, 2016

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

June 30, 2016 (with Comparative Totals for 2015)

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,523,372	\$ 1,629,265
Accounts receivable	6,128	8,403
Grants receivable	280,446	126,501
Contributions receivable	141,861	338,248
Prepaid expenses, deposits and other	106,143	101,696
Operating, replacement and insurance reserves	998,656	1,017,627
Investments	1,010,909	1,017,982
Land, buildings and equipment	6,543,723	7,010,091
Intangible assets	25,421	26,603
TOTAL ASSETS	\$ 10,636,659	\$ 11,276,416
<b><u>LIABILITIES</u></b>		
Mortgage notes payable	\$ 6,356,694	\$ 6,363,694
Accounts payable and other accrued expenses	132,509	188,253
TOTAL LIABILITIES	6,489,203	6,551,947
<b><u>NET ASSETS</u></b>		
Unrestricted:		
Operations	3,222,232	3,523,875
Board designated for Endowment Fund	702,341	687,262
Temporarily restricted	222,883	513,332
TOTAL NET ASSETS	4,147,456	4,724,469
TOTAL LIABILITIES AND NET ASSETS	\$ 10,636,659	\$ 11,276,416

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

Year Ended June 30, 2016 (with Comparative Totals for 2015)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total 2016</u>	<u>2015</u>
REVENUE AND SUPPORT				
Support:				
Individuals	\$ 521,658	\$ -	\$ 521,658	\$ 727,099
Foundations, churches, corporations and organizations	603,462	130,500	733,962	999,940
Government grants and contracts	1,677,067	-	1,677,067	1,764,544
In-kind services	58,287	-	58,287	55,907
Fundraising events	157,026	-	157,026	167,292
TOTAL SUPPORT	<u>3,017,500</u>	<u>130,500</u>	<u>3,148,000</u>	<u>3,714,782</u>
Program revenue:				
Rent and rent subsidy	1,017,174	-	1,017,174	1,028,546
Program rents	33,640	-	33,640	26,936
TOTAL PROGRAM REVENUE	<u>1,050,814</u>	<u>-</u>	<u>1,050,814</u>	<u>1,055,482</u>
Other sources:				
Interest and dividends	38,745	-	38,745	36,709
Realized and unrealized gain (loss) on investments	1,467	-	1,467	(20,093)
Other	3,686	-	3,686	5,984
TOTAL OTHER SOURCES	<u>43,898</u>	<u>-</u>	<u>43,898</u>	<u>22,600</u>
Net assets released from restriction	<u>420,949</u>	<u>(420,949)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,533,161</u>	<u>(290,449)</u>	<u>4,242,712</u>	<u>4,792,864</u>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

Year Ended June 30, 2016 (with Comparative Totals for 2015)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total 2016</u>	<u>2015</u>
FUNCTIONAL EXPENSES				
Program services:				
Housing Programs & Services	\$ 1,814,168	\$ -	\$ 1,814,168	\$ 1,861,478
Community Housing & Services	216,426	-	216,426	180,433
Clinical & Health Services	605,385	-	605,385	615,745
Deborah's Place II	530,025	-	530,025	504,216
Deborah's Place III	1,009,573	-	1,009,573	1,012,821
TOTAL PROGRAM SERVICES	<u>4,175,577</u>	<u>-</u>	<u>4,175,577</u>	<u>4,174,693</u>
Supporting services:				
Management and general	388,249	-	388,249	370,081
Fundraising	255,899	-	255,899	272,108
TOTAL SUPPORTING SERVICES	<u>644,148</u>	<u>-</u>	<u>644,148</u>	<u>642,189</u>
TOTAL FUNCTIONAL EXPENSES	<u>4,819,725</u>	<u>-</u>	<u>4,819,725</u>	<u>4,816,882</u>
DECREASE IN CONSOLIDATED NET ASSETS	(286,564)	(290,449)	(577,013)	(24,018)
NET ASSETS, BEGINNING OF YEAR	<u>4,211,137</u>	<u>513,332</u>	<u>4,724,469</u>	<u>4,748,487</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 3,924,573</u>	<u>\$ 222,883</u>	<u>\$ 4,147,456</u>	<u>\$ 4,724,469</u>

See Notes to Consolidated Financial Statements

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

Year Ended June 30, 2016 (with Comparative Totals for 2015)

	<b>Program Services</b>					<b>Total Program Services</b>
	<b>Housing Programs &amp; Services</b>	<b>Community Housing &amp; Services</b>	<b>Clinical &amp; Health Services</b>	<b>Deborah's Place II</b>	<b>Deborah's Place III</b>	
Salaries and wages	\$ 1,036,933	\$ 159,352	\$ 439,502	\$ 199,713	\$ 267,462	\$ 2,102,962
Payroll taxes	81,688	12,442	34,650	15,955	20,908	165,643
Employee benefits	152,806	19,354	73,690	20,836	44,262	310,948
Repairs and maintenance	88,907	792	-	68,764	111,650	270,113
Dues and subscriptions	1,605	-	129	12	12	1,758
Professional fees and contract services	53,423	2,672	14,347	12,741	34,302	117,485
Specific assistance to individuals	99,150	9,338	19,721	-	-	128,209
Insurance	14,170	90	3,730	17,015	37,942	72,947
Stationery and printing	-	-	-	-	-	-
Postage	77	584	146	91	47	945
Utilities	36,013	-	-	62,089	105,645	203,747
Recruiting	-	-	-	-	-	-
Supplies	36,393	2,847	4,807	243	1,407	45,697
Bad debt	-	-	-	4,822	16,027	20,849
Telephone	8,136	2,736	3,989	2,176	2,819	19,856
Transportation for staff	607	4,555	1,796	578	569	8,105
Rent	63,660	-	3,350	-	-	67,010
Property taxes	-	-	-	1,044	-	1,044
Interest	-	-	-	1	2	3
Building and equipment	14,628	1,664	5,371	4,711	-	26,374
Depreciation	125,673	-	-	118,169	362,883	606,725
Amortization	-	-	-	-	1,182	1,182
Miscellaneous	299	-	157	1,065	2,454	3,975
<b>TOTAL EXPENSES</b>	<b>\$ 1,814,168</b>	<b>\$ 216,426</b>	<b>\$ 605,385</b>	<b>\$ 530,025</b>	<b>\$ 1,009,573</b>	<b>\$ 4,175,577</b>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - Continued**

Year Ended June 30, 2016 (with Comparative Totals for 2015)

	<b>Supporting Services</b>			<b>Total 2016</b>	<b>Total 2015</b>
	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>		
Salaries and wages	\$ 200,733	\$ 165,400	\$ 366,133	\$ 2,469,095	\$ 2,517,706
Payroll taxes	15,047	12,862	27,909	193,552	206,118
Employee benefits	30,302	25,211	55,513	366,461	327,985
Repairs and maintenance	4,027	286	4,313	274,426	280,800
Dues and subscriptions	3,421	1,396	4,817	6,575	5,231
Professional fees and contract services	84,971	866	85,837	203,322	189,695
Specific assistance to individuals	-	-	-	128,209	138,490
Insurance	15,207	812	16,019	88,966	79,620
Stationery and printing	530	15,463	15,993	15,993	27,519
Postage	1,747	3,256	5,003	5,948	8,002
Utilities	-	-	-	203,747	189,642
Recruiting	1,615	-	1,615	1,615	1,630
Supplies	7,033	16,678	23,711	69,408	72,625
Bad debt	-	-	-	20,849	12,260
Telephone	6,400	-	6,400	26,256	24,675
Transportation for staff	181	258	439	8,544	9,313
Rent	-	-	-	67,010	65,701
Property taxes	-	-	-	1,044	1,020
Interest	-	-	-	3	3
Building and equipment	3,202	402	3,604	29,978	38,903
Depreciation	6,739	-	6,739	613,464	597,416
Amortization	-	-	-	1,182	1,182
Miscellaneous	7,094	13,009	20,103	24,078	21,346
<b>TOTAL EXPENSES</b>	<b>\$ 388,249</b>	<b>\$ 255,899</b>	<b>\$ 644,148</b>	<b>\$ 4,819,725</b>	<b>\$ 4,816,882</b>

See Notes to Consolidated Financial Statements



**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS****CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016 (with Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in consolidated net assets	\$ (577,013)	\$ (24,018)
Adjustments to reconcile decrease in consolidated net assets to net cash flows from operating activities:		
Depreciation and amortization	614,646	598,598
Realized and unrealized (gain) loss on investments	(1,467)	20,093
Bad debt provision	20,849	12,260
Decrease (increase) in operating assets:		
Accounts, grants and contributions receivable	23,868	(190,481)
Prepaid expenses, deposits and other	(4,447)	(19,173)
Operating, replacement and insurance reserves	18,971	26,711
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued expenses	(55,744)	72,170
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>39,663</u>	<u>496,160</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(147,094)	(125,905)
Proceeds from sale of investments	147,905	305,044
Purchase of investments	(139,367)	(488,242)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(138,556)</u>	<u>(309,103)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(7,000)</u>	<u>(7,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(105,893)	180,057
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,629,265</u>	<u>1,449,208</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,523,372</u>	<u>\$ 1,629,265</u>

See Notes to Consolidated Financial Statements

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Deborah's Place III Corp. ("DP III Corp.") was formed to serve as the general partner of DP III and held a 0.01% partnership interest as general partner. DP III Corp. had effective control of DP III through its general partner interest. Effective June 30, 2015, Deborah's Place purchased the limited partner interest of DP III for \$100 giving it an effective ownership interest of 100% in DP III.

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

#### **Unrestricted net assets**

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

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

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

**Accounts receivable** - Accounts receivable are composed of rent due from tenants and rent subsidies due from a government agency. Uncollectible amounts are written off to bad debt expense at the time the individual receivable is determined to be uncollectible. An allowance for doubtful accounts, if required, is based on estimates made by management and the Organizations' historical collection experience. The allowance for doubtful accounts at June 30, 2016 and 2015, was \$13,170 and \$12,492, 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, 2016 and 2015, was \$613,464 and \$597,416, respectively.

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

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

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

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Asset impairment assessments** - The Organizations review long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the asset compared to its carrying value. If an impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. No impairment was recognized in 2016 or 2015.

**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 2016 and 2015, volunteers provided approximately 10,537 hours and 9,998 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 \$3,401 and \$3,219 as of June 30, 2016 and 2015, 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 \$54,886 and \$52,688 for the years ended June 30, 2016 and 2015, respectively.

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

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Grants and contributions receivable

Grants and contributions receivable consist of amounts due from public and private organizations. Grants due from public agencies reimburse Deborah's Place for expenses incurred and paid. All the grants and contributions receivable are expected to be collected in fiscal year 2017.

#### (3) Investments

Investments as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Stated at fair value:		
Balanced funds	\$ 503,841	\$ 496,218
Equity fund	198,500	191,044
Total mutual funds	<u>702,341</u>	<u>687,262</u>
 Certificate of deposit	 <u>308,568</u>	 <u>305,720</u>
	1,010,909	992,982
 Other investment using cost method	 <u>-</u>	 <u>25,000</u>
 Total	 <u>\$ 1,010,909</u>	 <u>\$ 1,017,982</u>

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

Land, buildings and equipment as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Cost:		
Land	\$ 258,000	\$ 258,000
Buildings and improvements	15,462,444	15,354,868
Furniture and equipment	442,581	407,320
Vehicles	20,752	20,752
Total cost	<u>16,183,777</u>	<u>16,040,940</u>
Accumulated depreciation	<u>(9,640,054)</u>	<u>(9,030,849)</u>
 Net land, buildings and equipment	 <u>\$ 6,543,723</u>	 <u>\$ 7,010,091</u>

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(5) Deferred charges**

Deferred charges at June 30, 2016 and 2015, consist of:

	<u>Basis of Amortization</u>	<u>2016</u>	<u>2015</u>
Permanent loan fees	30 years	\$ 35,454	\$ 35,454
Tax credit fees	10 years	-	40,553
Syndication costs	N/A	12,635	12,635
		<u>48,089</u>	<u>88,642</u>
Accumulated amortization		<u>(22,668)</u>	<u>(62,039)</u>
		<u>\$ 25,421</u>	<u>\$ 26,603</u>

Amortization expense amounted to \$1,182 for the years ended June 30, 2016 and 2015. Estimated aggregate amortization expense for the next five fiscal years is \$1,182 each year.

**(6) Mortgage notes payable**

Mortgage notes payable at June 30, 2016 and 2015, were \$6,356,694 and \$6,363,694, respectively. The notes payable for 2016 and 2015 consist of:

Mortgage note payable to the Chicago Department of Housing and Economic Development ("HED," formerly the Department of Housing ("DOH")), which administers these U.S. Department of Housing and Urban Development Community Development Block Grant ("CDBG") funds. This note is payable in August 2035 and bears no interest during its term provided the housing remains available to very low income persons and the note does not become due because of default under the terms of the note or the regulatory agreement. This note is collateralized by real estate owned by Deborah's Place II. The mortgage note payable to the HED at June 30, 2016 and 2015, 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, 2016 and 2015, was \$478,000 and \$479,000, respectively.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (6) Mortgage notes payable (continued)

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, 2016 and 2015, was \$3,203,000 and \$3,209,000, respectively.

Second mortgage note payable to the HED (formerly DOH) in the original amount of \$400,000. This note bears no interest and is payable in March 2030. This nonrecourse mortgage is collateralized on a subordinate basis by rental property owned by DP III and an assignment of rents and leases. This loan payable to HED at June 30, 2016 and 2015, was \$400,000.

Scheduled principal reductions are as follows:

#### Years Ending June 30,

2017	\$	7,000
2018		7,000
2019		7,000
2020		7,000
2021		7,000
Thereafter		<u>6,321,694</u>
Total	\$	<u><u>6,356,694</u></u>

#### (7) 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 2016 or 2015.



**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(7) Cash – Operating, replacement and insurance reserves (continued)**

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Replacement reserve	\$ 194,547	\$ 214,154
Operating deficit reserve	748,917	748,324
Insurance reserve	<u>55,192</u>	<u>55,149</u>
Total	<u>\$ 998,656</u>	<u>\$ 1,017,627</u>

**(8) 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 2016 assessment year.

**(9) Temporarily restricted net assets**

At June 30, 2016 and 2015, the amounts included in temporarily restricted net assets are restricted for the following purposes:

	<u>Temporarily Restricted as of June 30, 2015</u>	<u>Temporarily Restricted Contributions</u>	<u>Grants Released from Restriction</u>	<u>Temporarily Restricted as of June 30, 2016</u>
Pledges	\$ 50,300	\$ -	\$ (50,300)	\$ -
Employment Program	10,179	-	(10,179)	-
Health Services	50,545	-	(50,545)	-
DP II improvements	90,308	10,200	(83,125)	17,383
Capital improvements	-	60,500	-	60,500
IT Capacity	12,000	-	(12,000)	-
FY'16 general operations	225,000	79,400	(304,400)	-
FY'17 general operations	75,000	70,000	-	145,000
Total	<u>\$ 513,332</u>	<u>\$ 220,100</u>	<u>\$ (510,549)</u>	<u>\$ 222,883</u>

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(10) Lease commitment**

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

Rent expense for the years ended June 30, 2016 and 2015, was \$67,010 and \$65,701, respectively.

Minimum future annual rentals for all leases are as follows:

2017	\$	68,245
2018		69,610
2019		<u>17,575</u>
Total	\$	<u>155,430</u>

**(11) 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.

There were no contributions to the Plan for the years ended June 30, 2016 and 2015. Deborah's Place absorbs all administrative costs of the Plan.

**(12) Prior year comparative totals**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated financial statements for the fiscal year ended June 30, 2015, from which the summarized information was derived.

**(13) Subsequent events**

The Organizations have evaluated subsequent events through November 8, 2016, the date which the consolidated financial statements were available to be issued.

**ADDITIONAL INFORMATION  
AND  
SUPPORTING DATA**



**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

225 West Wacker Drive, Suite 2500 ■ Chicago, Illinois 60606  
Main: 312.602.6800 ■ Fax: 312.602.6950 ■ www.mhmcpa.com

## 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, 2016, and have issued our report thereon dated November 8, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The following consolidating schedules are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mayer Hoffman McCann P.C.*

Chicago, Illinois  
November 8, 2016

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

June 30, 2016

	<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	\$ 1,197,745	\$ 262,354	\$ 63,273	\$ -	\$ 1,523,372
Accounts receivable	-	3,480	2,648	-	6,128
Grants receivable	280,446	-	-	-	280,446
Contributions receivable	141,861	-	-	-	141,861
Due from affiliate	116,722	-	-	(116,722)	-
Prepaid expenses, deposits and other	225,643	8,500	-	(128,000)	106,143
Operating, replacement and insurance reserves	-	-	998,656	-	998,656
Investments	1,010,909	-	-	-	1,010,909
Land, buildings and equipment	690,973	1,226,836	4,625,914	-	6,543,723
Intangible assets	-	-	25,421	-	25,421
<b>TOTAL ASSETS</b>	<b><u>\$ 3,664,299</u></b>	<b><u>\$ 1,501,170</u></b>	<b><u>\$ 5,715,912</u></b>	<b><u>\$ (244,722)</u></b>	<b><u>\$ 10,636,659</u></b>
<b><u>LIABILITIES</u></b>					
Mortgage notes payable	\$ -	\$ 2,753,694	\$ 3,603,000	\$ -	\$ 6,356,694
Accounts payable and other accrued expenses	73,654	17,470	41,385	-	132,509
Due to affiliate	-	6,332	110,390	(116,722)	-
<b>TOTAL LIABILITIES</b>	<b><u>73,654</u></b>	<b><u>2,777,496</u></b>	<b><u>3,754,775</u></b>	<b><u>(116,722)</u></b>	<b><u>6,489,203</u></b>
<b><u>NET ASSETS</u></b>					
Unrestricted:					
Operations	2,682,804	(1,293,709)	1,961,137	(128,000)	3,222,232
Board designated for Endowment Fund	702,341	-	-	-	702,341
Temporarily restricted	205,500	17,383	-	-	222,883
<b>TOTAL NET ASSETS</b>	<b><u>3,590,645</u></b>	<b><u>(1,276,326)</u></b>	<b><u>1,961,137</u></b>	<b><u>(128,000)</u></b>	<b><u>4,147,456</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,664,299</u></b>	<b><u>\$ 1,501,170</u></b>	<b><u>\$ 5,715,912</u></b>	<b><u>\$ (244,722)</u></b>	<b><u>\$ 10,636,659</u></b>

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

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

Year Ended June 30, 2016

	Deborah's Place	Deborah's Place II	Deborah's Place III	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS					
UNRESTRICTED REVENUE AND SUPPORT					
Support:					
Individuals	\$ 521,658	\$ -	\$ -	\$ -	\$ 521,658
Foundations, churches, corporations and organizations	603,462	-	-	-	603,462
Government grants and contracts	1,677,067	-	-	-	1,677,067
In-kind services	58,287	-	-	-	58,287
Fundraising events	157,026	-	-	-	157,026
<b>TOTAL SUPPORT</b>	<b>3,017,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,017,500</b>
Program revenue:					
Rent and rent subsidy	-	472,481	656,864	(112,171)	1,017,174
Program rents	33,640	-	-	-	33,640
<b>TOTAL PROGRAM REVENUE</b>	<b>33,640</b>	<b>472,481</b>	<b>656,864</b>	<b>(112,171)</b>	<b>1,050,814</b>
Other sources:					
Management fees	72,252	-	-	(72,252)	-
Interest and dividends	37,406	499	840	-	38,745
Realized and unrealized gain on investments	1,467	-	-	-	1,467
Other	2,672	-	1,014	-	3,686
<b>TOTAL OTHER SOURCES</b>	<b>113,797</b>	<b>499</b>	<b>1,854</b>	<b>(72,252)</b>	<b>43,898</b>
Grant to Deborah's Place II	(35,850)	35,850	-	-	-
Net assets released from restriction	354,168	66,781	-	-	420,949
<b>TOTAL UNRESTRICTED REVENUE AND SUPPORT</b>	<b>3,483,255</b>	<b>575,611</b>	<b>658,718</b>	<b>(184,423)</b>	<b>4,533,161</b>
FUNCTIONAL EXPENSES					
Program services:					
Housing Programs & Services	1,911,365	-	-	(97,197)	1,814,168
Community Housing & Services	217,254	-	-	(828)	216,426
Clinical & Health Services	609,576	-	-	(4,191)	605,385
Deborah's Place II	-	555,981	-	(25,956)	530,025
Deborah's Place III	-	-	1,055,869	(46,296)	1,009,573
<b>TOTAL PROGRAM SERVICES</b>	<b>2,738,195</b>	<b>555,981</b>	<b>1,055,869</b>	<b>(174,468)</b>	<b>4,175,577</b>
Supporting services:					
Management and general	398,204	-	-	(9,955)	388,249
Fundraising	255,899	-	-	-	255,899
<b>TOTAL SUPPORTING SERVICES</b>	<b>654,103</b>	<b>-</b>	<b>-</b>	<b>(9,955)</b>	<b>644,148</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>3,392,298</b>	<b>555,981</b>	<b>1,055,869</b>	<b>(184,423)</b>	<b>4,819,725</b>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>90,957</b>	<b>19,630</b>	<b>(397,151)</b>	<b>-</b>	<b>(286,564)</b>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Support	130,500	-	-	-	130,500
Net assets released from restriction	(354,168)	(66,781)	-	-	(420,949)
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>(223,668)</b>	<b>(66,781)</b>	<b>-</b>	<b>-</b>	<b>(290,449)</b>
<b>DECREASE IN CONSOLIDATED NET ASSETS</b>	<b>(132,711)</b>	<b>(47,151)</b>	<b>(397,151)</b>	<b>-</b>	<b>(577,013)</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>3,723,356</b>	<b>(1,229,175)</b>	<b>2,358,288</b>	<b>(128,000)</b>	<b>4,724,469</b>
<b>TOTAL NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 3,590,645</b>	<b>\$ (1,276,326)</b>	<b>\$ 1,961,137</b>	<b>\$ (128,000)</b>	<b>\$ 4,147,456</b>