

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended June 30, 2019



## **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, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

#### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Deborah's Place & Affiliated Organizations as of June 30, 2019, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, the Organizations adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## **Other Matter**

## **Report on Summarized Comparative Information**

We have previously audited Deborah's Place & Affiliated Organizations' 2018 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 6, 2019

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

June 30, 2019 (with Comparative Totals for 2018)

	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,791,761	\$ 1,962,527
Accounts receivable	27,216	19,746
Grants receivable	155,644	148,338
Contributions receivable	267,914	198,761
Prepaid expenses, deposits and other	209,288	129,140
Operating, replacement and insurance reserves	952,552	987,989
Investments	3,821,676	3,350,802
Land, buildings and equipment, net	4,895,070	5,291,768
Intangible assets	12,635	12,635
TOTAL ASSETS	\$ 12,133,756	\$ 12,101,706
<b><u>LIABILITIES</u></b>		
Mortgage notes payable, net of debt issuance costs	\$ 6,326,453	\$ 6,332,271
Accounts payable and other accrued expenses	203,468	158,558
TOTAL LIABILITIES	6,529,921	6,490,829
<b><u>NET ASSETS</u></b>		
Without donor restrictions:		
Operations	1,074,123	1,355,831
Board designated for operating reserves	981,131	921,935
Board designated for Mission 600 Fund	1,134,489	1,033,004
With donor restrictions	2,414,092	2,300,107
TOTAL NET ASSETS	5,603,835	5,610,877
TOTAL LIABILITIES AND NET ASSETS	\$ 12,133,756	\$ 12,101,706

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

Year Ended June 30, 2019 (with Comparative Totals for 2018)

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>REVENUE AND SUPPORT</b>				
Support:				
Individuals	\$ 828,357	\$ -	\$ 828,357	\$ 879,189
Foundations, churches, corporations and organizations	746,966	181,160	928,126	2,850,096
Government grants and contracts	2,001,063	-	2,001,063	1,966,747
In-kind services	43,901	-	43,901	68,314
Fundraising events	135,807	-	135,807	136,394
<b>TOTAL SUPPORT</b>	<b>3,756,094</b>	<b>181,160</b>	<b>3,937,254</b>	<b>5,900,740</b>
Program revenue:				
Rent and rent subsidy	1,264,915	-	1,264,915	1,118,075
Program rents	34,750	-	34,750	28,058
Other program revenue	17,508	-	17,508	13,901
<b>TOTAL PROGRAM REVENUE</b>	<b>1,317,173</b>	<b>-</b>	<b>1,317,173</b>	<b>1,160,034</b>
Other sources:				
Interest and dividends	126,719	46,053	172,772	85,411
Realized and unrealized gain (loss) on investments	(24,856)	24,722	(134)	(5,326)
Other income	10,366	-	10,366	1,643
<b>TOTAL OTHER SOURCES</b>	<b>112,229</b>	<b>70,775</b>	<b>183,004</b>	<b>81,728</b>
Net assets released from restriction	137,950	(137,950)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>5,323,446</b>	<b>113,985</b>	<b>5,437,431</b>	<b>7,142,502</b>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

Year Ended June 30, 2019 (with Comparative Totals for 2018)

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>FUNCTIONAL EXPENSES</b>				
Program services:				
Housing Programs & Services	\$ 1,431,327	\$ -	\$ 1,431,327	\$ 1,937,732
Community Housing & Services	451,455	-	451,455	44,089
Clinical & Health Services	884,121	-	884,121	803,534
Deborah's Place II	587,586	-	587,586	549,980
Deborah's Place III	1,065,428	-	1,065,428	1,027,696
<b>TOTAL PROGRAM SERVICES</b>	<b>4,419,917</b>	<b>-</b>	<b>4,419,917</b>	<b>4,363,031</b>
Supporting services:				
Management and general	656,259	-	656,259	637,058
Fundraising	368,297	-	368,297	343,108
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,024,556</b>	<b>-</b>	<b>1,024,556</b>	<b>980,166</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>5,444,473</b>	<b>-</b>	<b>5,444,473</b>	<b>5,343,197</b>
<b>INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS</b>	<b>(121,027)</b>	<b>113,985</b>	<b>(7,042)</b>	<b>1,799,305</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,310,770</b>	<b>2,300,107</b>	<b>5,610,877</b>	<b>3,811,572</b>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<b>\$ 3,189,743</b>	<b>\$ 2,414,092</b>	<b>\$ 5,603,835</b>	<b>\$ 5,610,877</b>

See Notes to Consolidated Financial Statements

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

Year Ended June 30, 2019 (with Comparative Totals for 2018)

	<b>2019</b>					
	<b>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>	<b>Total Program Services</b>
Salaries and wages	\$ 840,856	\$ 48,610	\$ 643,531	\$ 230,299	\$ 319,705	\$ 2,083,001
Payroll taxes	64,742	3,536	49,883	18,497	24,611	161,269
Employee benefits	119,859	7,529	97,163	22,970	63,364	310,885
Repairs and maintenance	64,920	11,454	-	71,674	114,357	262,405
Dues and subscriptions	1,903	31	350	-	250	2,534
Professional fees and contract services	61,209	1,596	19,650	9,630	11,936	104,021
Specific assistance to individuals	80,271	6,571	30,507	-	101	117,450
Insurance	10,270	475	6,018	19,181	36,751	72,695
Stationery and printing	-	-	-	-	-	-
Postage	162	491	208	32	104	997
Utilities	21,048	-	1,967	63,641	101,487	188,143
Recruiting	-	-	-	-	-	-
Supplies	15,185	382	2,556	808	1,056	19,987
Bad debt	-	-	-	7,910	1,978	9,888
Telephone	5,770	727	7,769	2,141	2,699	19,106
Transportation for staff	274	556	15,770	213	94	16,907
Rent	14,356	347,426	-	-	-	361,782
Property taxes	-	-	-	1,409	-	1,409
Interest	-	-	-	1	1,183	1,184
Building and equipment	13,317	706	6,244	1,242	-	21,509
Depreciation	113,813	-	2,505	137,657	385,535	639,510
Miscellaneous	3,372	21,365	-	281	217	25,235
<b>TOTAL EXPENSES</b>	<b>\$ 1,431,327</b>	<b>\$ 451,455</b>	<b>\$ 884,121</b>	<b>\$ 587,586</b>	<b>\$ 1,065,428</b>	<b>\$ 4,419,917</b>

See Notes to Consolidated Financial Statements

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - Continued**

Year Ended June 30, 2019 (with Comparative Totals for 2018)

	<b>2019</b>				<b>Total 2018</b>
	<b>Supporting Services</b>			<b>Total</b>	
	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>		
Salaries and wages	\$ 392,923	\$ 239,910	\$ 632,833	\$ 2,715,834	\$ 2,648,186
Payroll taxes	29,248	17,543	46,791	208,060	204,872
Employee benefits	58,715	36,736	95,451	406,336	389,116
Repairs and maintenance	7,126	-	7,126	269,531	257,085
Dues and subscriptions	8,701	435	9,136	11,670	9,947
Professional fees and contract services	93,711	20,041	113,752	217,773	225,563
Specific assistance to individuals	-	-	-	117,450	148,697
Insurance	19,151	812	19,963	92,658	89,813
Stationery and printing	676	10,558	11,234	11,234	10,157
Postage	920	2,908	3,828	4,825	5,366
Utilities	-	-	-	188,143	191,471
Recruiting	1,320	-	1,320	1,320	2,794
Supplies	10,130	23,748	33,878	53,865	53,328
Bad debt	-	-	-	9,888	4,472
Telephone	4,810	-	4,810	23,916	32,980
Transportation for staff	118	341	459	17,366	13,594
Rent	-	-	-	361,782	76,879
Property taxes	-	-	-	1,409	1,322
Interest	-	-	-	1,184	1,184
Building and equipment	428	-	428	21,937	24,378
Depreciation	12,415	-	12,415	651,925	913,985
Miscellaneous	15,867	15,265	31,132	56,367	38,008
<b>TOTAL EXPENSES</b>	<b>\$ 656,259</b>	<b>\$ 368,297</b>	<b>\$ 1,024,556</b>	<b>\$ 5,444,473</b>	<b>\$ 5,343,197</b>

See Notes to Consolidated Financial Statements



**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2019 (with Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in consolidated net assets	\$ (7,042)	\$ 1,799,305
Adjustments to reconcile increase (decrease) in consolidated net assets to net cash flows from operating activities:		
Depreciation	651,925	913,985
Deferred financing costs recognized	1,182	1,182
Realized and unrealized loss on investments	134	5,326
Bad debt provision	9,888	4,472
Decrease (increase) in operating assets:		
Accounts, grants and contributions receivable	(93,817)	(48,096)
Prepaid expenses, deposits and other	(80,148)	(40,586)
Operating, replacement and insurance reserves	35,437	(29,482)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued expenses	44,910	(22,724)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>562,469</u>	<u>2,583,382</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(255,228)	(103,380)
Proceeds from sale of investments	2,113,139	306,144
Purchase of investments	(2,584,146)	(2,551,717)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(726,235)</u>	<u>(2,348,953)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(7,000)</u>	<u>(7,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(170,766)	227,429
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,962,527</u>	<u>1,735,098</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,791,761</u>	<u>\$ 1,962,527</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. ("DP III Corp."), and its affiliated organization, Deborah's Place II (the "Organizations"). Each entity has a separate board of directors which share common members. Transactions between the entities have been eliminated on consolidation.

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

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

**Housing Programs & Services** - Deborah's Place residential programs offer safe housing and supportive services for women who have experienced homelessness. Programs include Dolores' Safe Haven (a 15-bed supportive living environment which serves hard-to-reach women who are chronically homeless and who are living with severe mental illness), Teresa's Interim Housing (a 24-hour interim housing program with 10 semiprivate dormitory bed spaces, where women can live for up to 120 consecutive days while receiving intensive programming around housing search, income acquisition, and preparation for life in the community), and Marah's Permanent Housing Program, which transitioned fully to a community-based housing program during Fiscal Year 2019. Residential services are also provided for the tenants of the Patty Crowley Apartments and the Rebecca Johnson Apartments. Community Centers at both sites provide access to computers, budgeting, tutoring, art therapy, employment guidance, and programs designed to strengthen daily living skills and engagement. Deborah's Place offers pre-tenancy services to people who are experiencing homelessness and are preparing the documentation needed to move into housing with Deborah's Place. Services may include assistance in obtaining identification, documentation of homelessness, and disability assessments, as well as referrals for additional assistance and other housing resources if they do not meet program eligibility.

**Community Housing & Services** - Community housing and services are provided to participants who, with the assistance of subsidized rent, live in apartments in the community. Intensive case management, provided through the Clinical and Health Services program, ensures that the participants who remain housed achieve their goals related to income, self-sufficiency, and wellness. An Alumnae Residential Services program provides housing location, landlord support, and engagement services to women who move directly from homelessness to a community-based housing program or who choose to move on from a Deborah's Place project-based housing program into housing in the community.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Community Housing & Services (continued)** - The Marah's Permanent Housing Program provides 30 community-based apartments to women who have been homeless and are living with a disability; Deborah's Place holds the leases to these apartments, and the tenants pay 30% of their income as occupancy fees.

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

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

***Deborah's Place II (Patty Crowley Apartments)*** - This facility, located at 1530 N. Sedgwick Avenue in Chicago, provides private- and shared-bath apartments for 39 women. Each unit has a subsidy under the U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher program. Tenant services and 24-hour case management are available on-site. This facility leases space to several Deborah's Place programs, including Dolores' Safe Haven, Teresa's Interim Housing, and Tenant Residential Services.

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

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

#### **Without donor restrictions**

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

**With donor restrictions** - 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. Also includes resources subject to restrictions of gift instruments requiring that principal be invested in perpetuity and investment income be utilized for support of activities. When the donors' restrictions are satisfied, the net assets are transferred to net assets without donor restrictions.

**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, 2019 and 2018, was \$6,678 and \$1,797, 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, 2019 and 2018, was \$651,925 and \$913,985, 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 with donor restriction revenue, as applicable, when granted or pledged to the Organizations.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Investments** - The Organizations invest in marketable securities with readily determinable fair values. The securities are invested in mutual funds and exchange-traded 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 changes in net assets in the accompanying consolidated statement of activities and changes in net assets.

**Functional expenses** - The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses attributable solely to a specific functional area are reported as expenses of those functional areas. Expenses that are allocable across functional categories are allocated consistently, using estimates of the following factors:

- Time and effort
- Specific systems and technology used
- Square footage

**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 2019 or 2018.

**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 2019 and 2018, volunteers provided approximately 5,644 hours and 3,702 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 \$2,146 and \$4,085 as of June 30, 2019 and 2018, 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 \$41,755 and \$64,229 for the years ended June 30, 2019 and 2018, respectively.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently adopted accounting pronouncement** – In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, and netting of investment expenses with return, among other changes. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

The Organizations adopted the standard at the beginning of Fiscal Year 2019, which resulted in a change in classification of beginning net assets from unrestricted net assets and temporarily restricted net assets to net assets without donor restrictions and net assets with donor restrictions, respectively.

#### (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 2020.

#### (3) Investments

Investments as of June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Stated at fair value:		
Mutual funds and exchange-traded funds	\$ 3,143,747	\$ 3,041,827
Certificate of deposit	677,929	308,975
Total	<u>\$ 3,821,676</u>	<u>\$ 3,350,802</u>

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Land, buildings and equipment as of June 30, 2019 and 2018, consist of the following:

	<b>2019</b>	<b>2018</b>
Cost:		
Land	\$ 258,000	\$ 258,000
Buildings and improvements	13,120,135	15,632,264
Furniture and equipment	657,220	543,838
Vehicles	20,752	20,752
Total cost	14,056,107	16,454,854
Accumulated depreciation	(9,161,037)	(11,163,086)
Net land, buildings and equipment	\$ 4,895,070	\$ 5,291,768

**(5) Mortgage notes payable**

Mortgage note payable to the City of Chicago, through the Department of Housing, 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 City of Chicago at June 30, 2019 and 2018, 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, 2019 and 2018, was \$475,000 and \$476,000, respectively.

First mortgage note payable to IHDA in the original amount of \$3,300,000, obtained pursuant to the provisions of the HOME Program as authorized by Title II of the National Affordable Housing Act. This nonrecourse mortgage is payable in March 2030 and bears no interest during its term provided the housing remains available to very low income persons and the note does not become due because of default under the terms of the note or regulatory agreement. The note is payable in monthly principal installments of \$500 as well as the annual payment of residual receipts while the Section 8 contract is in existence; thereafter, monthly payments in the amount of \$100 will be payable. The loan is collateralized by the rental property owned by DP III and an assignment of rents and leases. The Organizations executed a Regulatory and Land Use Agreement with IHDA which prohibits the sale of the project without IHDA's approval. The note payable to IHDA at June 30, 2019 and 2018, was \$3,185,000 and \$3,191,000, respectively.

Second mortgage note payable to the City of Chicago, through the Department of Housing, in the original amount of \$400,000. This note bears no interest and is payable in March 2030. This nonrecourse mortgage is collateralized on a subordinate basis by rental property owned by DP III and an assignment of rents and leases. This loan payable to the City of Chicago at June 30, 2019 and 2018, was \$400,000.

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Scheduled principal reductions are as follows:

Years Ending June 30,

2020	\$	7,000
2021		7,000
2022		7,000
2023		7,000
2024		7,000
Thereafter		<u>6,300,694</u>
Total	\$	<u><u>6,335,694</u></u>

Mortgage notes payable at June 30, 2019 and 2018, were \$6,326,453 and \$6,332,271, respectively. The notes payable for 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Mortgage notes payable	\$ 6,335,694	\$ 6,342,694
Less: unamortized debt issuance costs	(9,241)	(10,423)
Mortgage notes payable, net	<u><u>\$ 6,326,453</u></u>	<u><u>\$ 6,332,271</u></u>

Loan costs are being recognized as interest expense on a straight-line basis over the terms of the mortgage notes. Interest expense recognized for the years ended June 30, 2019 and 2018 was \$1,182.

**(6) Cash – Operating, replacement and insurance reserves**

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

**Operating deficit reserve** - Also pursuant to the DP III IHDA loan agreement, the Organizations were required to fund the operating deficit reserve from the limited partner capital contributions in an initial amount of \$600,000. Additionally, the Organizations are required to deposit into the operating deficit reserve surplus cash flow, if any, in the maximum amount of \$45,000 per annum. Such funding is required until the long-term operating reserve has reached \$4,739,609. No amounts were funded in 2019 or 2018.

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.



**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The following details the reserves at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Replacement reserve	\$ 119,697	\$ 172,393
Operating deficit reserve	775,690	759,615
Insurance reserve	57,165	55,981
Total	<u>\$ 952,552</u>	<u>\$ 987,989</u>

**(7) Real estate taxes**

Real property owned by DP III is exempt from local real estate taxes, pursuant to a determination by the Illinois Department of Revenue. The Organizations have obtained a non-homestead Property Tax Exemption Certificate on the property for the 2019 assessment year.

**(8) Net assets with donor restrictions**

At June 30, 2019 and 2018, the amounts included in net assets with donor restrictions are restricted for the following purposes:

	<b>With Donor Restrictions as of June 30, 2018</b>	<b>Restricted Contributions</b>	<b>Grants Released from Restriction</b>	<b>With Donor Restrictions as of June 30, 2019</b>
Capital improvements	\$ -	\$ 142,500	\$ (95,000)	\$ 47,500
IT Capacity	15,000	-	(15,000)	-
Program related	-	114,100	(91,600)	22,500
FY'18 general operations	4,950	-	(4,950)	-
FY'19 general operations	118,000	80,000	(198,000)	-
FY'20 general operations	80,000	111,160	-	191,160
FY'21 general operations	73,333	-	-	73,333
Endowment	2,000,000	-	-	2,000,000
Endowment earnings	8,824	70,775	-	79,599
Total	<u>\$ 2,300,107</u>	<u>\$ 518,535</u>	<u>\$ (404,550)</u>	<u>\$ 2,414,092</u>

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

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (8) Net assets with donor restrictions (continued)

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

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

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

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

The endowment fund had investment earnings of \$46,053 and \$4,131 and net appreciation of investments of \$24,722 and \$4,693 during Fiscal Year 2019 and 2018, respectively.

#### (9) Lease commitment

The Organizations leased space for Marah's Permanent Housing Program under a lease which expired 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%. During Fiscal Year 2019, Marah's Permanent Housing Program converted to community-based housing in which all individual tenant leases are now held by Deborah's Place.

Rent expense for the years ended June 30, 2019 and 2018, was \$361,782 and \$76,879, respectively.

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Effective July 1, 2018, all newly eligible employees and current employees without an election will automatically have 3% of their compensation deducted and invested in the default fund of the Plan on their behalf.

Contributions to the Plan were \$22,980 and \$19,844 for the years ended June 30, 2019 and 2018, respectively. Deborah's Place absorbs all administrative costs of the Plan.

#### (11) Prior year comparative totals

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements for the fiscal year ended June 30, 2018, from which the summarized information was derived.

#### (12) Financial assets and liquidity resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt and capital expenditures, were as follows:

Cash and cash equivalents	\$	1,791,761
Accounts receivable		27,216
Grants receivable		155,644
Contributions receivable		267,914
Investments		3,821,676
Less:		
Net assets designated by Board		(2,115,620)
Net assets with donor restrictions		(2,414,092)
Accounts payable and other accrued expenses		(203,468)
Current debt service		(7,000)
Add:		
Donor restrictions fulfilled in next 12 months		<u>213,660</u>
Available for use	\$	<u><u>1,537,691</u></u>

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(12) Financial assets and liquidity resources (continued)**

The Organizations have \$1,537,691 in financial assets available within one year to meet cash needs for general expenditures. The availability of liquid assets is monitored regularly. Additionally, fluctuations in grant and event revenue are offset by the monthly receipt of reimbursements from government grants and contracts for operational expenditures throughout the year.

**(13) Cash flow disclosures**

Noncash investing activities: Fully depreciated leasehold improvements of approximately \$2,600,000 were removed from the books.

**(14) Subsequent events**

The Organizations have evaluated subsequent events through November 6, 2019, the date which the consolidated financial statements were available to be issued.

On August 15, 2019, the Federal Home Loan Bank of Chicago ("FHLBC") provided a \$750,000 competitive Affordable Housing Program grant to DP III through First Eagle Bank, for a rehabilitation project also funded by a \$200,000 loan from First Eagle Bank. The grant is being recorded by DP III as a third mortgage and is payable only in the event of a default in its obligations under the Project Loan Agreement with the FHLBC. Deborah's Place is the sponsor for the program.

**ADDITIONAL INFORMATION  
AND  
SUPPORTING DATA**



Mayer Hoffman McCann P.C.

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## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION AND SUPPORTING DATA

To the Board of Directors

### DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

We have audited the consolidated financial statements of Deborah's Place & Affiliated Organizations as of and for the year ended June 30, 2019, and our report thereon dated November 6, 2019, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is 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 consolidated financial statements. The consolidating 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating 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 6, 2019

**DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS**

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

June 30, 2019

	<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	\$ 1,423,781	\$ 292,970	\$ 75,010	\$ -	\$ 1,791,761
Accounts receivable	4,295	11,997	10,924	-	27,216
Grants receivable	155,644	-	-	-	155,644
Contributions receivable	267,914	-	-	-	267,914
Due from affiliate	181,280	-	-	(181,280)	-
Prepaid expenses, deposits and other	485,215	-	71,200	(347,127)	209,288
Operating, replacement and insurance reserves	-	-	952,552	-	952,552
Investments	3,821,676	-	-	-	3,821,676
Land, buildings and equipment, net	96,927	906,232	3,891,911	-	4,895,070
Intangible assets	-	-	12,635	-	12,635
<b>TOTAL ASSETS</b>	<b><u>\$ 6,436,732</u></b>	<b><u>\$ 1,211,199</u></b>	<b><u>\$ 5,014,232</u></b>	<b><u>\$ (528,407)</u></b>	<b><u>\$ 12,133,756</u></b>
<b><u>LIABILITIES</u></b>					
Mortgage notes payable, net of debt issuance costs	\$ -	\$ 2,750,694	\$ 3,575,759	\$ -	\$ 6,326,453
Accounts payable and other accrued expenses	136,462	22,690	44,316	-	203,468
Due to affiliate	-	12,216	169,064	(181,280)	-
<b>TOTAL LIABILITIES</b>	<b><u>136,462</u></b>	<b><u>2,785,600</u></b>	<b><u>3,789,139</u></b>	<b><u>(181,280)</u></b>	<b><u>6,529,921</u></b>
<b><u>NET ASSETS</u></b>					
Without donor restrictions:					
Operations	1,770,558	(1,574,401)	1,225,093	(347,127)	1,074,123
Board designated for operating reserves	981,131	-	-	-	981,131
Board designated for Mission 600 Fund	1,134,489	-	-	-	1,134,489
With donor restrictions	2,414,092	-	-	-	2,414,092
<b>TOTAL NET ASSETS</b>	<b><u>6,300,270</u></b>	<b><u>(1,574,401)</u></b>	<b><u>1,225,093</u></b>	<b><u>(347,127)</u></b>	<b><u>5,603,835</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,436,732</u></b>	<b><u>\$ 1,211,199</u></b>	<b><u>\$ 5,014,232</u></b>	<b><u>\$ (528,407)</u></b>	<b><u>\$ 12,133,756</u></b>

## DEBORAH'S PLACE & AFFILIATED ORGANIZATIONS

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

Year Ended June 30, 2019

	Deborah's Place	Deborah's Place II	Deborah's Place III	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS					
Support:					
Individuals	\$ 828,357	\$ -	\$ -	\$ -	\$ 828,357
Foundations, churches, corporations and organizations	746,966	-	-	-	746,966
Government grants and contracts	2,001,063	-	-	-	2,001,063
In-kind services	43,901	-	-	-	43,901
Fundraising events	135,807	-	-	-	135,807
<b>TOTAL SUPPORT</b>	<b>3,756,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,756,094</b>
Program revenue:					
Rent and rent subsidy	-	504,345	853,855	(93,285)	1,264,915
Program rents	34,750	-	-	-	34,750
Other program revenue	17,508	-	-	-	17,508
<b>TOTAL PROGRAM REVENUE</b>	<b>52,258</b>	<b>504,345</b>	<b>853,855</b>	<b>(93,285)</b>	<b>1,317,173</b>
Other sources:					
Management fees	73,512	-	-	(73,512)	-
Interest and dividends	104,499	2,058	20,162	-	126,719
Realized and unrealized loss on investments	(24,856)	-	-	-	(24,856)
Other income	2,283	-	8,083	-	10,366
<b>TOTAL OTHER SOURCES</b>	<b>155,438</b>	<b>2,058</b>	<b>28,245</b>	<b>(73,512)</b>	<b>112,229</b>
Net assets released from restriction	137,950	-	-	-	137,950
<b>TOTAL REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>	<b>4,101,740</b>	<b>506,403</b>	<b>882,100</b>	<b>(166,797)</b>	<b>5,323,446</b>
FUNCTIONAL EXPENSES					
Program services:					
Housing Programs & Services	1,506,904	-	-	(75,577)	1,431,327
Community Housing & Services	451,772	-	-	(317)	451,455
Clinical & Health Services	889,467	-	-	(5,346)	884,121
Deborah's Place II	-	616,650	-	(29,064)	587,586
Deborah's Place III	-	-	1,109,876	(44,448)	1,065,428
<b>TOTAL PROGRAM SERVICES</b>	<b>2,848,143</b>	<b>616,650</b>	<b>1,109,876</b>	<b>(154,752)</b>	<b>4,419,917</b>
Supporting services:					
Management and general	668,304	-	-	(12,045)	656,259
Fundraising	368,297	-	-	-	368,297
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,036,601</b>	<b>-</b>	<b>-</b>	<b>(12,045)</b>	<b>1,024,556</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>3,884,744</b>	<b>616,650</b>	<b>1,109,876</b>	<b>(166,797)</b>	<b>5,444,473</b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>216,996</b>	<b>(110,247)</b>	<b>(227,776)</b>	<b>-</b>	<b>(121,027)</b>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Support	181,160	-	-	-	181,160
Interest and dividends	46,053	-	-	-	46,053
Realized and unrealized gain on investments	24,722	-	-	-	24,722
Net assets released from restriction	(137,950)	-	-	-	(137,950)
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>113,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,985</b>
<b>INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS</b>	<b>330,981</b>	<b>(110,247)</b>	<b>(227,776)</b>	<b>-</b>	<b>(7,042)</b>
EQUITY CONTRIBUTIONS	-	-	84,647	(84,647)	-
NET ASSETS (DEFICIT), BEGINNING OF YEAR	5,969,289	(1,464,154)	1,368,222	(262,480)	5,610,877
<b>TOTAL NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 6,300,270</b>	<b>\$ (1,574,401)</b>	<b>\$ 1,225,093</b>	<b>\$ (347,127)</b>	<b>\$ 5,603,835</b>