

ZACHARIAS SEXUAL ABUSE CENTER

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Zacharias Sexual Abuse Center
Gurnee, Illinois

We have audited the accompanying financial statements of ZACHARIAS SEXUAL ABUSE CENTER (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows 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 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. Those standards require that we plan and perform the audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZACHARIAS SEXUAL ABUSE CENTER as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the ZACHARIAS SEXUAL ABUSE CENTER's financial statements for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2018. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 27, 2019

Warady & Davis LLP

STATEMENTS OF FINANCIAL POSITION

As of June 30	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 882,565	\$ 803,391
Grants and Other Receivables	132,291	115,829
Prepaid Expenses	12,000	18,524
Pledges Receivable	68,855	77,845
Investments	3,332,458	3,076,868
Total Current Assets	4,428,169	4,092,457
PROPERTY AND EQUIPMENT, net of Accumulated Depreciation	2,501,178	2,551,924
INTANGIBLES, net of Accumulated Amortization	—	5,281
RESTRICTED CASH AND CASH EQUIVALENTS	205,700	205,700
TOTAL ASSETS	\$ 7,135,047	\$ 6,855,362
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Mortgage Loans Payable	\$ 170,050	\$ 225,857
Accounts Payable	483	1,892
Accrued Salaries and Payroll Taxes	38,866	55,377
Accrued Vacation	40,659	42,771
Total Current Liabilities	250,058	325,897
LONG-TERM LIABILITIES		
Mortgage Loans Payable	174,183	154,720
NET ASSETS		
Without Donor Restriction		
Board-Designated	309,283	3,381,756
Fixed Assets Fund	2,156,945	2,176,628
Undesignated	3,903,610	474,851
	6,369,838	6,033,235
With Donor Restriction		
Time and Purpose Restrictions	135,268	135,810
Endowment - Restricted in Perpetuity	205,700	205,700
	340,968	341,510
Total Net Assets	6,710,806	6,374,745
TOTAL LIABILITIES AND NET ASSETS	\$ 7,135,047	\$ 6,855,362

ZACHARIAS SEXUAL ABUSE CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended June 30

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Summarized Total
SUPPORT AND REVENUE						
Public Support						
United Way	\$ 32,684	\$ 31,310	\$ 63,994	\$ 34,056	\$ 31,310	\$ 65,366
ICASA Grant	336,320		336,320	286,762		286,762
Foundations and Corporations	274,250	96,250	370,500	206,750	100,000	306,750
Individual Contributions	589,369		589,369	652,723		652,723
ILDHS Grant	187,604		187,604	200,000		200,000
Attorney General Grants	9,726		9,726	12,500		12,500
Township Grants	13,292	7,708	21,000	16,000	4,500	20,500
County/Municipal Grants	8,090		8,090	27,105		27,105
Donated Facilities and Services	43,381		43,381	107,283		107,283
Total Public Support	1,494,716	135,268	1,629,984	1,543,179	135,810	1,678,989
Special Events						
Gross Event Revenue	508,552		508,552	421,890		421,890
Less: Direct Expenses	(85,524)		(85,524)	(93,594)		(93,594)
	423,028		423,028	328,296		328,296
Program Service Fees	4,727		4,727	8,835		8,835
Investment Income, net	206,524		206,524	204,621		204,621
Net Assets Released from Restrictions						
Expiration of Time Restrictions	31,310	(31,310)	—	31,310	(31,310)	—
Released for Specified Purpose	104,500	(104,500)	—	155,625	(155,625)	—
	135,810	(135,810)	—	186,935	(186,935)	—
Total Revenues	2,264,805	(542)	2,264,263	2,271,866	(51,125)	2,220,741
EXPENSES						
Program Services	1,152,591		1,152,591	1,557,102		1,557,102
Supporting Services	472,201		472,201	252,430		252,430
Management and General	303,410		303,410	284,738		284,738
Fund-Raising	1,928,202		1,928,202	2,094,270		2,094,270
Total Expenses	336,603	(542)	336,061	177,596	(51,125)	126,471
CHANGE IN NET ASSETS						
Net Assets - Beginning	6,033,235	341,510	6,374,745	5,855,639	392,635	6,248,274
NET ASSETS - ENDING	\$ 6,369,838	\$ 340,968	\$ 6,710,806	\$ 6,033,235	\$ 341,510	\$ 6,374,745

See accompanying notes.

ZACHARIAS SEXUAL ABUSE CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30

2019

2018

	Program Services	Management and General	Fund-Raising	Special Fundraising Events	Total Expenses	Summarized Total
Personnel						
Salaries	\$ 661,547	\$ 263,269	\$ 200,264	\$	\$ 1,125,080	\$ 1,197,831
Payroll Taxes	59,004	23,481	17,862		100,347	89,711
Employee Benefits	113,344	45,107	34,311		192,762	223,901
	833,895	331,857	252,437		1,418,189	1,511,443
Occupancy						
Mortgage Interest	12,980	1,496	1,276		15,752	17,234
Utilities	14,556	1,678	1,431		17,665	17,426
Repairs and Maintenance	72,491	8,357	7,126		87,974	77,389
	100,027	11,531	9,833		121,391	112,049
Professional Fees	66,070	94,832	12,034	6,200	179,136	229,553
Insurance	15,739	6,263	4,764		26,766	18,073
Advertising	8,310	302	26	45	8,683	262
Dues and Subscriptions	786	315	916		2,017	2,335
Meals and Acknowledgements	2,021	805	612		3,438	6,685
Background Checks	438	174	133		745	765
Bank Fees		3,620		7,225	10,845	2,816
Postage	2,627	1,045	795	426	4,893	4,202
Venue Rent				41,225	41,225	—
Special Event Meals				19,471	19,471	—
Marketing	2,410		1,155		3,565	17,687
Personnel Development	556	1	24		581	10,378
Travel	6,420	319	691	631	8,061	9,889
Supplies	11,027	1,628	1,236	3,063	16,954	24,959
Printing	908	238	3,361	7,238	11,745	10,763
Telecommunications	12,972	3,067	2,355		18,394	19,073
Depreciation and Amortization	88,385	16,204	13,038		117,627	113,338
	218,669	128,813	41,140	85,524	474,146	470,778
	1,152,591	472,201	303,410	85,524	2,013,726	2,094,270
Less Amounts Reported on Statement of Activities				(85,524)	(85,524)	
TOTALS	\$ 1,152,591	\$ 472,201	\$ 303,410	\$ —	\$ 1,928,202	\$ 2,094,270

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30

2019

2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets

\$ 336,061 \$ 126,471

Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities

Depreciation and Amortization

112,346 106,297

Amortization of Intangibles

5,281 7,041

Realized and Unrealized Gains

(64,555) (121,738)

Change in Operating Assets and Liabilities

Grants and Other Receivables

(16,462) (7,258)

Prepaid Expenses

6,524 (2,232)

Pledges Receivable

8,990 43,918

Accounts Payable

(1,409) 1,892

Accrued Salaries and Payroll Taxes

(16,511) 13,717

Accrued Vacation

(2,112) 8,292

Total Adjustments

32,092 49,929

Net Cash Provided by Operating Activities

368,153 176,400

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment

(10,706) (12,270)

Purchases of Land, Buildings and Improvements

(50,894) (141,865)

Purchases of Investments

(702,252) (291,182)

Proceeds from Sales of Investments and Maturities of CD's

678,536 322,430

Dividends Reinvested in Mutual Funds

(167,319) (105,771)

Net Cash Used by Investing Activities

(252,635) (228,658)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Mortgage Obligations

(36,344) (38,408)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS,
AND RESTRICTED CASH

79,174 (90,666)

Cash and Cash Equivalents, and Restricted Cash - Beginning of Year

1,009,091 1,099,757

CASH AND CASH EQUIVALENTS, AND RESTRICTED
CASH - END OF YEAR

\$ 1,088,265 \$ 1,009,091

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest

\$ 15,752 \$ 17,234

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

The Zacharias Sexual Abuse Center (the Center) is a non-profit, publicly-supported corporation whose mission is to provide a place where survivors of sexual assault and abuse can heal, and to mobilize the community toward action to end sexual violence. The services provided by the organization include prevention programs, counseling, medical and legal advocacy, a 24-hour support line, professional training and community education. Programs are provided for children, adults and families. Zacharias Sexual Abuse Center's primary funding sources are grants from the United Way, the Illinois Coalition Against Sexual Assault (ICASA), the Illinois Department of Human Services (IDHS) and other grants and contributions from private foundations and the general public.

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (Board). Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, net assets without donor restrictions are reclassified to net assets with donor restrictions and reported in the statements of activities as net assets released from restrictions.

Additionally, certain net assets represent funds subject to the restrictions of gift instruments requiring the principal to be maintained permanently intact while the investment earnings are classified as with donor restrictions until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and may be spent on any Center program.

Cash and Cash Equivalents

For purposes of these financial statements, cash includes cash on hand and in checking and money market accounts held for operating purposes. The Center considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property and Equipment**

Property and equipment acquisitions of \$500 or more are capitalized and recorded at cost, less accumulated depreciation. Donated fixed assets are capitalized at the estimated fair value on the date of donation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets: 10 to 40 years for buildings and improvements, and 3 to 10 years for furniture and equipment.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for general operating use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give due in the next year are reflected as current pledges receivable at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges and are recorded at their net present value, using interest discount rates applicable to the years in which the promises are received. No allowance for uncollectible pledges has been recorded, as management expects no material amounts of uncollectible pledges.

In-Kind Donations and Contributed Services

Donated materials and equipment are recognized at fair value at the date of receipt. Donated personal services are recognized only if they either (a) create or enhance non-financial assets (such as property and equipment), or (b) they require specialized skills which would be purchased if they were not donated. Donated services that do not meet either requirement are not recorded in the accompanying financial statements.

The financial statements reflect amounts for in-kind contributions for which an objective basis is available to measure their value. Revenues are reflected in contributions, and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities. The Center recognized donated counseling services in the amount of \$16,741 for the year ended June 30, 2019 and \$22,254 for the year ended June 30, 2018. Additionally, donated professional, and other services were \$26,640 for the year ended June 30, 2019 and \$72,466 for the year ended June 30, 2018. During the year ended June 30, 2018, the Center occupied donated facilities valued at \$12,563. No similar amounts were applicable for the year ended June 30, 2019.

The Center also receives a significant amount of donated services from unpaid volunteers and Board members who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statement of activities related to these services because the criteria for recognition under the FASB Codification topic related to contributions made and received have not been satisfied.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to programs or management and general categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These methods include an allocation of personnel, and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

The year ended June 30, 2019 was an unusual and extraordinary year of constant staff turnover and organizational change for the Center. The time study used to allocate salaries, wages, and related costs was not conducted during a time that reflects usual and customary business and program activity. The statement of functional expenses for the year ended June 30, 2019 does not reflect the Center's historically consistent percentage of costs allocated to administrative and fundraising expenses.

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 the financial statements, and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the IRS has determined that the Center is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Center is similarly classified for State purposes.

The Center follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Center has taken or expects to take in its tax returns. Under the guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Center believes that it has appropriate support for the positions taken on its returns.

The Center files its forms 990 in the U.S. federal jurisdiction and the office of the State's Attorney General for Illinois.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

ACCOUNTING PRONOUNCEMENTS

The Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Center's year ended June 30, 2019. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no revisions were required to the prior year amounts.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 (*Topic 606*): *Revenue from Contracts with Customers*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Center's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Center has determined that the standard will not have a significant impact on the financial statements. The Center is currently gathering the appropriate information to implement the standard in a timely manner.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Center's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

NOTES TO FINANCIAL STATEMENTS

NOTE 2—LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include the allocation from the United Way of Lake County.

Cash and Cash Equivalents	\$ 882,565
Grants and Other Receivables	132,291
Pledges Receivable	68,855
Investments	3,332,458
Restricted Cash	205,700
Less those unavailable for general expenditures within one year due to:	
Net Assets with Donor Restriction	(340,968)
Net Assets Designated by the Board	<u>(309,283)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,971,618</u>

As part of the Center's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically negotiable Certificates of Deposit and Mutual Funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 3—RESTRICTED CASH

At June 30, 2019 and 2018, the Center had restricted cash of \$205,700 for an endowment fund as the money cannot be used for general operations.

NOTE 4—PLEDGES RECEIVABLE

Pledges at June 30 consist of items receivable from:

	<u>2019</u>	<u>2018</u>
United Way	\$ 31,310	\$ 31,310
Townships	13,500	6,000
Corporations, Foundations, and Individuals	<u>24,045</u>	<u>40,535</u>
	<u>\$ 68,855</u>	<u>\$ 77,845</u>

As of June 30, 2019 and 2018 all pledges and grants receivable are due within one year. No allowance for uncollectible pledges has been recorded, as all pledges are considered collectible.

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENT

Fair values and unrealized appreciation at June 30, 2019 and 2018 of board-designated and unrestricted investments are summarized as follows:

<u>June 30, 2019</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Unrestricted and Undesignated -			
Certificate of Deposit	\$ 142,514	\$ 144,672	\$ 2,158
Mutual Funds	<u>2,792,334</u>	<u>3,187,786</u>	<u>395,452</u>
	<u>\$ 2,934,848</u>	<u>\$ 3,332,458</u>	<u>\$ 397,610</u>
 <u>June 30, 2018</u>	 <u>Cost</u>	 <u>Fair Value</u>	 <u>Unrealized Appreciation</u>
Unrestricted and Undesignated -			
Certificate of Deposit	\$ 142,113	\$ 144,990	\$ 2,877
Mutual Funds	<u>2,610,850</u>	<u>2,931,878</u>	<u>321,028</u>
	<u>\$ 2,752,963</u>	<u>\$ 3,076,868</u>	<u>\$ 323,905</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The FASB Codification establishes 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 inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing the asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Center are traded.

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. These include the Center's mutual funds.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. These include certificates of deposit included in the Center's investment portfolio.

Level 3 – Valuation based on inputs that are unobservable and reflects management's best estimate of what market participants would use as fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The following is the Center's financial assets that were measured at fair value, on a recurring basis, as of June 30, 2019 and 2018 by level within the fair value hierarchy. There have been no changes in the methodologies used at June 30, 2019 or 2018.

Investments	Fair Value at June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 144,672	\$ —	\$ 144,672	\$ —
Mutual Funds				
Growth and Income Funds	1,136,498	1,136,498	—	—
Blend Funds	193,311	193,311	—	—
Bond Funds	1,160,302	1,160,302	—	—
Value Funds	697,675	697,675	—	—
	<u>\$ 3,332,458</u>	<u>\$ 3,187,786</u>	<u>\$ 144,672</u>	<u>\$ —</u>
Investments	Fair Value at June 30, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 144,990	\$ —	\$ 144,990	\$ —
Mutual Funds				
Growth and Income Funds	1,095,367	1,095,367	—	—
Blend Funds	97,282	97,282	—	—
Bond Funds	965,227	965,227	—	—
Value Funds	774,002	774,002	—	—
	<u>\$ 3,076,868</u>	<u>\$ 2,931,878</u>	<u>\$ 144,990</u>	<u>\$ —</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2019 and 2018.

<u>Year Ended June 30, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and Dividend Income	\$ 172,075	\$ —	\$ 172,075
Realized and Unrealized Gains	64,555	—	64,555
Investment Fees	(30,106)	—	(30,106)
	<u>\$ 206,524</u>	<u>\$ —</u>	<u>\$ 206,524</u>
<u>Year Ended June 30, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and Dividend Income	\$ 112,167	\$ —	\$ 112,167
Realized and Unrealized Losses	121,738	—	121,738
Investment Fees	(29,284)	—	(29,284)
	<u>\$ 204,621</u>	<u>\$ —</u>	<u>\$ 204,621</u>

NOTE 6—PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$ 393,557	\$ 393,557
Building and Improvements	3,038,646	2,976,971
Furniture and Equipment	<u>661,261</u>	<u>661,336</u>
	4,093,464	4,031,864
Less: Accumulated Depreciation	<u>1,592,286</u>	<u>1,479,940</u>
	<u>\$ 2,501,178</u>	<u>\$ 2,551,924</u>

Depreciation expense on Buildings and Improvements was \$81,444 for the year ended June 30, 2019 and \$72,940 for the year ended June 30, 2018. Depreciation expense on Furniture and Equipment was \$30,902 for the year ended June 30, 2019 and \$33,357 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 7—INTANGIBLES

In 2016, the Center incurred \$21,124 of expenses to redesign its website which were capitalized and are presented as website design costs on the statements of financial position. Accumulated amortization was \$21,124 as of June 30, 2019 and \$15,843 as of June 30, 2018. Amortization expense was \$5,281 for the year ended June 30, 2019 and \$7,041 for 2018.

NOTE 8—MORTGAGE LOANS PAYABLE

The Center has a mortgage loan payable to First Midwest Bank with an original amount of \$560,000, which was issued in 1998 and refinanced on May 12, 2014 and again on May 12, 2019. The new loan issue amount was \$190,695 and has a balance of \$189,415 at June 30, 2019. The loan carries a fixed interest rate of 5.00% and is secured by a first mortgage on the Center's building in Gurnee, Illinois. Monthly payments of principal and interest in the amount of \$3,126 began June 12, 2014. The loan matures on May 12, 2024 at which time the loan becomes due in full. Monthly payments of principal and interest in the amount of \$2,030 began June 12, 2019. Mortgage interest expense was \$8,817 for the year ended June 30, 2019 and \$9,828 for the year ended June 30, 2018.

A schedule of annual debt service on the loan follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,232	\$ 9,125	\$ 24,357
2021	16,011	8,346	24,357
2022	16,831	7,526	24,357
2023	17,692	6,665	24,357
2024 (Includes Balloon Payment)	123,649	5,760	129,409
	<u>\$ 189,415</u>	<u>\$ 37,422</u>	<u>\$ 226,837</u>

The Center has an additional mortgage loan payable to First Midwest Bank with an original amount of \$200,000, which was issued on January 29, 2015. This loan has a balance of \$154,818 at June 30, 2019 and \$166,017 at June 30, 2018. The loan carries a fixed interest rate of 4.25% and is secured by a first mortgage on the Center's building in Skokie, Illinois. The loan matures on February 1, 2020 at which time the loan becomes due in full. Monthly payments of principal and interest in the amount of \$1,511 began March 1, 2015. Mortgage interest expense was \$6,935 for the year ended June 30, 2019 and \$7,406 for the year ended June 30, 2018.

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020 (Includes Balloon Payment)	\$ 154,818	\$ 4,290	\$ 159,108

NOTES TO FINANCIAL STATEMENTS

NOTE 9—BOARD-DESIGNATED NET ASSETS

Fixed assets (net of the related mortgage obligation) and intangibles in the amount of \$2,156,945 at June 30, 2019, and \$2,176,628 at June 30, 2018, have been segregated as a board-designated component of unrestricted net assets to indicate their unavailability for current operations. Board-designated assets also include cash set aside as part of the Center's building expansion program in the amount of \$309,283 at June 30, 2019 and \$350,128 at June 30, 2018. Additionally, \$3,031,628 of board-designated net assets at June 30, 2018 were set aside as part of the Center's major gifts program.

NOTE 10—RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Children's Programs	\$ 4,500	\$ 39,500
Advocacy Programs	99,458	65,000
Time Restricted - United Way	<u>31,310</u>	<u>31,310</u>
	<u>\$ 135,268</u>	<u>\$ 135,810</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by the donors, or through the passage of time. Restrictions released were as follows:

<u>Restriction</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Time Restricted - United Way Grants	\$ 31,310	\$ 31,310
Expended for Children's Programs	39,500	47,500
Expended for Advocacy Programs	<u>65,000</u>	<u>108,125</u>
	<u>\$ 135,810</u>	<u>\$ 186,935</u>

Additionally, net assets with donor restrictions of \$205,700 at June 30, 2019 and 2018 consist of a general endowment fund which is held in a money market account with the objective of preserving the endowment fund principal. The investment earnings of the endowment fund are not restricted for a specific purpose.

NOTES TO FINANCIAL STATEMENTS

NOTE 10—RESTRICTIONS ON NET ASSETS (Continued)

The Center interprets UPMIFA adopted by the State of Illinois 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 Center classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the Center's investment policies. The Center has not adopted investment and spending policies related to endowment funds due to the insignificant amounts of income generated from the fund. The endowment is invested in cash equivalents. The entire amount of income is appropriated for expenditure in the year earned.

Endowment net asset composition as of June 30 is as follows:

	2019	2018
Net Assets With Donor Restrictions		
Donor-Restricted Endowment Funds	\$ 205,700	\$ 205,700

Changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	With Donor Restriction in Perpetuity	Total
Endowment Net Assets, July 1, 2017	\$ —	\$ —	\$ 205,700	\$ 205,700
Investment Income	—	206	—	206
Amounts Appropriated for Expenditure	—	(206)	—	(206)
Endowment Net Assets, June 30, 2018	—	—	205,700	205,700
Investment Income	—	206	—	206
Amounts Appropriated for Expenditure	—	(206)	—	(206)
Endowment Net Assets, June 30, 2019	\$ —	\$ —	\$ 205,700	\$ 205,700

NOTES TO FINANCIAL STATEMENTS

NOTE 11—RETIREMENT PLANS

The Center sponsors a salary reduction arrangement (TSA) covering substantially all employees. Under the plan, all electing employees contribute various percentages of their salary on a tax-deferred basis. Employer contributions are discretionary and no contributions were made for the years ended June 30, 2019 and 2018.

The Center also sponsors a defined contribution simplified employee plan (SEP) covering substantially all employees. Employer contributions are made to employees' retirement accounts each calendar year at the discretion of the Board of Directors. Employer contributions are based on a percentage applied to each employee's salary for the calendar year. Employer contributions were \$53,697 for 2019 and \$53,372 for 2018.

NOTE 12—CONCENTRATIONS**Credit Risk**

The Center maintains its bank accounts at a local financial institution. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, the Center's bank balances may exceed the federally insured limits. The Center had uninsured deposits exceeding these limits in the amount of \$850,137 at June 30, 2019, and \$591,529 at June 30, 2018. Center management believes they are not exposed to any significant credit risk on cash.

Concentrations of Funding Sources

During 2019, the Center received 15% of its total revenues from ICASA, and 12% from a donor and the donor's private foundation. During 2018, the Center received 12% of its total revenues from ICASA, and 17% from two private foundations.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 27, 2019, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.