

EMERGENCY FUND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2007

EMERGENCY FUND
Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Emergency Fund
Chicago, IL

We have audited the accompanying statement of financial position of Emergency Fund (a non-profit organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, in which an unqualified opinion was given on the report dated February 21, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emergency Fund as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Desmond & Ahern, Ltd.

March 28, 2008
Chicago, IL

EMERGENCY FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2007 (with comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents		
Restricted	\$ 2,159,248	\$ -
Unrestricted	383,989	466,447
Unrestricted - Board designated	86,039	2,713
Total Cash	<u>2,629,276</u>	<u>469,160</u>
Investments	20,798	89,105
Unconditional promises to give	82,986	159,053
Government contributions receivable	110,000	129,160
Other receivable	-	2,339
Prepaid expenses	6,675	4,750
Total current assets	<u>2,849,735</u>	<u>853,567</u>
Property and Equipment		
Furniture and equipment	34,735	27,046
Less accumulated depreciation	(15,504)	(11,928)
Net property and equipment	<u>19,231</u>	<u>15,118</u>
Other Assets:		
Investments - permanently restricted	154,628	158,711
Deposits	3,215	3,215
Total other assets	<u>157,843</u>	<u>161,926</u>
Total Assets	<u><u>\$ 3,026,809</u></u>	<u><u>\$ 1,030,611</u></u>

See independent auditor's report and notes to financial statements.

EMERGENCY FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2007 (with comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 115,864	\$ 82,082
Accrued payroll	12,353	10,732
Refundable advances	2,159,248	16,500
Current portion of capital lease	<u>7,364</u>	<u>3,528</u>
Total current liabilities	2,294,829	112,842
Capital lease - net of current portion	<u>3,509</u>	<u>6,996</u>
Total Liabilities	<u>2,298,338</u>	<u>119,838</u>
Net Assets:		
Unrestricted:		
General	427,519	494,219
Board designated	<u>106,837</u>	<u>91,818</u>
Total unrestricted net assets	534,356	586,037
Temporarily restricted	39,486	166,025
Permanently restricted	<u>154,629</u>	<u>158,711</u>
Total net assets	<u>728,471</u>	<u>910,773</u>
Total Liabilities and Net Assets	<u>\$ 3,026,809</u>	<u>\$ 1,030,611</u>

See independent auditor's report and notes to financial statements.

EMERGENCY FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007 (with comparative totals for 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
<u>Public Support and Revenue</u>					
Contributions	\$ 1,178,388	\$ 46,500	\$ -	\$ 1,224,888	\$ 1,032,486
Illinois Department of Human Services	1,139,651	-	-	1,139,651	-
City of Chicago - Department of Housing	410,583	-	-	410,583	293,660
Illinois Department of Commerce and Economic Opportunity	-	-	-	-	50,000
Holiday Fund contributions	114,116	-	-	114,116	78,055
In-kind food - Holiday Fund	13,000	-	-	13,000	13,000
Special Events:					
Ticket revenue	55,475	-	-	55,475	43,341
Contributions	69,187	-	-	69,187	46,460
In-kind donations	29,700	-	-	29,700	8,725
Less costs of direct benefits to donors (including in-kind \$9,500)	(53,169)	-	-	(53,169)	(28,113)
Net revenues from special events	101,193	-	-	101,193	70,413
Interest and dividends	22,613	-	-	22,613	19,338
Unrealized/realized gain (loss) on investments	2,205	-	(4,082)	(1,877)	12,577
Net assets released from restriction				-	-
Satisfaction of program restrictions	22,989	(22,989)	-	-	-
Satisfaction of time restrictions	150,050	(150,050)	-	-	-
Total public support and revenue	3,154,788	(126,539)	(4,082)	3,024,167	1,569,529
<u>Expenses</u>					
Program Services:					
Financial Assistance	2,715,942	-	-	2,715,942	1,359,183
Holiday Fund	127,116	-	-	127,116	91,055
Total program services	2,843,058	-	-	2,843,058	1,450,238
Management and general expenses	133,538	-	-	133,538	113,147
Fundraising	229,873	-	-	229,873	185,634
Total expenses	3,206,469	-	-	3,206,469	1,749,019
Change in net assets	(51,681)	(126,539)	(4,082)	(182,302)	(179,490)
Net assets, beginning of year	586,037	166,025	158,711	910,773	1,090,263
Net assets, end of year	<u>\$ 534,356</u>	<u>\$ 39,486</u>	<u>\$ 154,629</u>	<u>\$ 728,471</u>	<u>\$ 910,773</u>

See independent auditor's report and notes to financial statements.

EMERGENCY FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007 (with comparative totals for 2006)

	Financial Assistance	Holiday Fund	Total Program Services	Management and General	Fundraising	2007 Total	2006 Total
Functional Expenses							
Salaries and temporary agency employees	\$ 193,900	\$ -	\$ 193,900	\$ 66,529	\$ 120,446	\$ 380,875	\$ 299,200
Payroll taxes and fringe benefits	39,090	-	39,090	13,412	24,282	76,784	61,205
Total salaries, taxes and fringe benefits	232,990	-	232,990	79,941	144,728	457,659	360,405
Pass through to partner agencies:							
Client assistance	1,164,371	114,116	1,278,487	-	-	1,278,487	1,221,345
In-kind	-	13,000	13,000	-	-	13,000	13,000
Homeless prevention	1,239,858	-	1,239,858	-	-	1,239,858	-
Professional fees	-	-	-	11,715	-	11,715	12,344
Staff development	2,087	-	2,087	15,983	2,742	20,812	6,755
Stipends	5,999	-	5,999	-	-	5,999	9,916
Rent and utilities	20,739	-	20,739	6,115	14,983	41,837	38,127
Telephone	2,607	-	2,607	680	1,924	5,211	7,708
Internet and website	5,625	-	5,625	1,930	3,494	11,049	5,103
Marketing	17,102	-	17,102	558	4,309	21,969	11,231
Insurance	3,057	-	3,057	2,497	1,898	7,452	3,331
Supplies and equipment maintenance and rent	2,951	-	2,951	2,180	1,763	6,894	5,146
Postage	1,568	-	1,568	2,101	2,869	6,538	6,603
Printing	5,370	-	5,370	1,382	3,753	10,505	13,323
Staff travel and meetings	6,438	-	6,438	2,916	1,889	11,243	5,785
In-kind donations	-	-	-	-	20,200	20,200	8,725
Special event expenses	-	-	-	-	21,117	21,117	7,418
Interest	-	-	-	807	-	807	747
Bank fees and credit card processing	-	-	-	1,984	-	1,984	1,273
Miscellaneous	1,643	-	1,643	1,535	2,007	5,185	5,443
Total other operating expenses	2,479,415	127,116	2,606,531	52,383	82,948	2,741,862	1,383,323
Total expenses before depreciation expense	2,712,405	127,116	2,839,521	132,324	227,676	3,199,521	1,743,728
Depreciation	3,537	-	3,537	1,214	2,197	6,948	5,291
Total Expenses	\$ 2,715,942	\$ 127,116	\$ 2,843,058	\$ 133,538	\$ 229,873	\$ 3,206,469	\$ 1,749,019

See independent auditor's report and notes to financial statements.

EMERGENCY FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007 (with comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operations:</u>		
Cash received - contributions	\$ 5,126,977	\$ 1,603,101
Cash received - special events	80,993	61,688
Cash received - interest	22,613	19,338
Payments for interest	(807)	(747)
Payments for wages and other operating expenses	(3,132,036)	(1,717,807)
Net cash (used) provided by operating activities	<u>2,097,740</u>	<u>(34,427)</u>
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	115,560	69,324
Purchase of investments	(42,473)	(38,531)
Purchase of furniture and equipment	(11,061)	(1,353)
Net cash provided (used) in investing activities	<u>62,026</u>	<u>29,440</u>
<u>Cash flows from financing activities:</u>		
Payments on capital lease	350	(3,608)
Net cash used in financing activities	<u>350</u>	<u>(3,608)</u>
Net (decrease) increase in cash and cash equivalents	2,160,116	(8,595)
Cash and cash equivalents, beginning of year	469,160	477,755
Cash and cash equivalents, end of year	<u><u>\$ 2,629,276</u></u>	<u><u>\$ 469,160</u></u>
<u>Reconciliation of change in net assets to net cash (used) provided by operating activities:</u>		
Change in net assets	\$ (182,302)	\$ (179,490)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	6,948	5,291
Unrealized/realized gains	1,877	(12,577)
Donated stock	(2,575)	(38,291)
Change in assets - (increase) decrease:		
Contribution receivable	76,067	299,851
Government receivable	19,160	(129,160)
Other receivable	2,339	(1,839)
Prepaid expense	(1,925)	1,495
Change in liabilities - increase (decrease):		
Accounts payable	33,782	(432)
Refundable advance	2,142,748	16,500
Accrued payroll	1,621	4,225
Net cash (used) provided by operating activities	<u><u>\$ 2,097,740</u></u>	<u><u>\$ (34,427)</u></u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Capital lease additions	<u><u>\$ 6,515</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and notes to financial statements.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

The Emergency Fund, formerly known as The Emergency Fund for Needy People, (the Organization) was incorporated as a not-for-profit organization in 1973, under the laws of the State of Illinois. The Organization, alone and through partnerships with other agencies, provides immediate financial assistance to help low income Chicago area individuals and families through a crisis or transition.

Description of Program Services

- The Financial Assistance program operates through a network of partner agencies throughout the Chicago area. Each partner agency receives a monthly allotment. A trained social worker or case manager referred to as the Fund Manager distributes these dollars in the form of grants to people in need. Checks are never written directly to the person in need but to the landlord, service provider, or organization which will solve the crisis or eliminate the need. The Emergency Fund prides itself on their service delivery model which is able to distribute dollars immediately and without red tape. Over the past few years, the Emergency Fund has taken an increased interest in supporting people to become self sufficient. To this end, the Organization is honored to support people by assisting to break down the barriers that keep people in poverty and covering basic needs expense such as rent, utilities, food, and child care, while people attend a job training program or complete their GED. The funds are completely flexible, providing the opportunity to meet the changing needs of Chicago's poor families. Over 85% of funding goes towards homelessness prevention. The additional 15% of funding covers a wide variety of needs such as transportation, clothing, uniforms, and IDs. The Emergency Fund is the largest provider of private homeless prevention funding in the State of Illinois
- The Emergency Fund administers the State of Illinois Homeless Prevention Fund. This included \$3.2 million available to assist low income people living in Chicago with rent, mortgage, security deposits, and utility assistance. The Emergency Fund was asked to become the steward of these dollars in 2007 providing the opportunity to streamline distribution of the dollars and ensure that they are delivered to the community quickly and without red tape. These are not new dollars to the system, but through the work of the Emergency Fund, the dollars are now being used in conjunction with other community dollars ensuring that the scarce resources of our community are used in the most cost effective way.
- Holiday Fund provides food baskets to senior citizens and families on the north and northwest sides of Chicago during the holidays.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts and \$292,300 in uninsured money market accounts (sweep investment account). The money market account held at JP Morgan Chase is not insured by the FDIC or any other government agency and is not guaranteed by the Bank. At December 31, 2007, the Organization's remaining bank deposits exceeded federally insured limits by \$2,104,500.

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments, including savings accounts and non-permanently restricted money markets, to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of three to five years.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify 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 restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial 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. During the current year, the Organization did not receive any services meeting these criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. For the year ended December 31, 2007, \$42,700 of in-kind donations were received by the Organization in connection with its special events and The Holiday Fund.

Certain Vulnerabilities and Concentrations

The Organization's total public support and revenue for the year ended December 31, 2007 amounted to \$3,024,167. Of this amount, \$1,139,651 and \$410,583 were received from the Illinois Department of Human Services and the City of Chicago – Department of Housing, respectively. Furthermore, the Owens Foundation provided \$280,000 in cash donations, of which \$130,000 was recorded as a receivable in the prior year. Any negative change in the economy could have an impact on contributions, fundraising efforts.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Emergency Fund is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not provide sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such prior year information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Note 2 - Investments

The readily determinable market value of investments held by the Organization as of December 31, 2007 were as follows:

Money market funds	\$ 44,106
Mutual funds	<u>131,320</u>
	\$ <u>175,426</u>

They are reflected in the financial statements as:

Investments – Board designated	\$ 20,798
Investments – permanently restricted	<u>154,628</u>
	\$ <u>175,426</u>

Note 3 - Leases

The Organization has an operating lease for its offices which expires in October 2009. An operating lease for a postage meter is also in place and expires in 2011. Rental expense for these leases, which includes associated building operating costs and real estate taxes, totaled \$45,215 for the year ended December 31, 2007.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

The Organization is also obligated under two capital leases for a copier and a telephone system that expire by December 2009. The gross amount of this equipment and related accumulated amortization recorded under the capital leases are as follows:

Copier	\$ 17,530	Telephone system	\$ 6,515
Accumulated amortization	(<u>8,765</u>)	Accumulated amortization	(<u>1,086</u>)
Net book value of copier	\$ <u>8,765</u>	Net book value of telephone system	\$ <u>5,429</u>

Amortization of the assets held under these capital leases are included in depreciation expense.

Future minimum payments under the operating leases and the present value of future minimum capital lease payments are as follows:

	<u>Capital Leases</u>	<u>Operating Lease</u>
2008	\$ 7,851	\$ 16,080
2009	3,593	14,342
2010	<u> -</u>	<u> 820</u>
Total minimum lease payments remaining	11,444	\$ <u>31,242</u>
Less interest included in payments	(<u>571</u>)	
Present value of net minimum capital lease payments	10,873	
Current installment of obligation under capital lease	(<u>7,364</u>)	
Long-term capital lease obligation	\$ <u>3,509</u>	

Note 4 - Employee Benefit Plan

Emergency Fund has a simple IRA benefit plan covering substantially all employees. The Organization makes contributions to each employee's individual retirement account in which the employee is fully vested. During the year, the Organization elected to match contributions on a dollar for dollar basis up to 3% of compensation. Employer contributions made to the plan for the year ended December 31, 2007 amounted to \$8,881.

Note 5 - Restricted Net Assets

At December 31, 2007, temporarily restricted net assets are comprised of the following:

Reade Industrial Crises program	\$ 14,486
External Evaluator	<u>25,000</u>
	\$ <u>39,486</u>

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Permanently restricted net assets represent the fair market value less dividend reinvestments of donor gifts to the endowment of the Organization. Earnings on the initial contributions are to be used for operating and administration. The initial principal investments of \$160,000 have declined to \$154,628 in market value at December 31, 2007.

Note 6 - Line of Credit

The Organization is obligated for credit cards issued in its name. At December 31, 2007, the Organization's total line of credit related to these cards is \$10,000, of which, \$288 is outstanding and included in accounts payable.

Note 7 - Conditional Promise to Give

The Organization has received the following conditional promise to give, upon expenditure of funds, that is not recognized as an asset in the Statement of Financial Position as of December 31, 2007:

<u>Grant</u>	<u>Term</u>	<u>Conditional Promise Amount</u>	<u>Conditions Met or Funds Advanced as of 12/31/07</u>	<u>Conditional Promises Available</u>
Conditional Promises to Give Upon Expenditures of Funds:				
City of Chicago – Department of Housing	12/1/05 to 6/28/08	\$ <u>2,500,000</u>	\$ <u>720,743</u>	\$ <u>1,779,257</u>

Note 8 - Refundable Advance

A refundable advance of \$2,159,248 has been received from the Illinois Department of Human Services, which is to be expended on future programs through June 30, 2008.