

EMERGENCY FUND

FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

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, 2008, 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, 2007, in which an unqualified opinion was given on the report dated March 28, 2008.

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 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, 2008, 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.

February 16, 2009
Chicago, IL

EMERGENCY FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2008 (with comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents		
Restricted	\$ 1,195,558	\$ 2,159,248
Unrestricted	116,265	383,989
Unrestricted - Board designated	103,942	86,039
Total cash and cash equivalents	<u>1,415,765</u>	<u>2,629,276</u>
Investments - Board designated	26,593	20,798
Unconditional promises to give	111,570	82,986
Government contributions receivable	7,500	110,000
Prepaid expenses	2,572	6,675
Total current assets	<u>1,564,000</u>	<u>2,849,735</u>
Property and Equipment		
Furniture and equipment	43,431	34,735
Less accumulated depreciation	<u>(23,922)</u>	<u>(15,504)</u>
Net property and equipment	<u>19,509</u>	<u>19,231</u>
Other Assets		
Investments and cash - permanently restricted	104,562	154,628
Deposits	3,215	3,215
Total other assets	<u>107,777</u>	<u>157,843</u>
Total Assets	<u><u>\$ 1,691,286</u></u>	<u><u>\$ 3,026,809</u></u>

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

EMERGENCY FUND
STATEMENT OF FINANCIAL POSITION
As of December 31, 2008 (with comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 3,529	\$ 115,864
Accrued payroll	17,910	12,353
Refundable advances	1,116,836	2,159,248
Current portion of capital leases	<u>4,118</u>	<u>7,364</u>
Total current liabilities	1,142,393	2,294,829
Capital leases - net of current portion	<u>-</u>	<u>3,509</u>
Total Liabilities	<u>1,142,393</u>	<u>2,298,338</u>
Net Assets		
Unrestricted		
General	235,074	427,519
Board designated	<u>130,535</u>	<u>106,837</u>
Total unrestricted net assets	365,609	534,356
Temporarily restricted	78,722	39,486
Permanently restricted	<u>104,562</u>	<u>154,629</u>
Total net assets	<u>548,893</u>	<u>728,471</u>
Total Liabilities and Net Assets	<u><u>\$ 1,691,286</u></u>	<u><u>\$ 3,026,809</u></u>

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

EMERGENCY FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008 (with comparative totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
<u>Public Support and Revenue</u>					
Contributions	\$ 1,401,139	\$ 325,000	\$ -	\$ 1,726,139	\$ 1,224,888
Illinois Department of Human Services	3,628,067	-	-	3,628,067	1,139,651
City of Chicago - Department of Housing	108,500	-	-	108,500	410,583
Holiday Fund contributions	88,882	-	-	88,882	114,116
In-kind food - Holiday Fund	-	-	-	-	13,000
In-kind donations	906	-	-	906	-
Special Events					
Ticket revenue	42,900	-	-	42,900	55,475
Contributions	75,226	-	-	75,226	69,187
In-kind donations	369	-	-	369	9,500
Less costs of direct benefits to donors	(37,081)	-	-	(37,081)	(53,169)
Net revenues from special events	81,414	-	-	81,414	80,993
Interest and dividends	12,758	-	-	12,758	22,613
Net unrealized/realized loss on investments	(20)	-	(50,067)	(50,087)	(1,877)
Net assets released from restriction - Satisfaction of program restrictions	285,764	(285,764)	-	-	-
Total public support and revenue	5,607,410	39,236	(50,067)	5,596,579	3,003,967
<u>Expenses</u>					
Program Services					
Financial Assistance	5,280,411	-	-	5,280,411	2,715,942
Holiday Fund	88,882	-	-	88,882	127,116
Total program services	5,369,293	-	-	5,369,293	2,843,058
Management and general expenses	170,228	-	-	170,228	133,538
Fundraising	236,636	-	-	236,636	209,673
Total expenses	5,776,157	-	-	5,776,157	3,186,269
Change in net assets	(168,747)	39,236	(50,067)	(179,578)	(182,302)
Net assets, beginning of year	534,356	39,486	154,629	728,471	910,773
Net assets, end of year	\$ 365,609	\$ 78,722	\$ 104,562	\$ 548,893	\$ 728,471

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

EMERGENCY FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008 (with comparative totals for 2007)

	Financial Assistance	Holiday Fund	Total Program Services	Management and General	Fundraising	2008 Total	2007 Total
Functional Expenses							
Salaries and temporary agency employees	\$ 225,069	\$ -	\$ 225,069	\$ 70,486	\$ 143,610	\$ 439,165	\$ 380,875
Payroll taxes and fringe benefits	43,945	-	43,945	16,974	33,531	94,450	76,784
Total salaries, taxes and fringe benefits	<u>269,014</u>	<u>-</u>	<u>269,014</u>	<u>87,460</u>	<u>177,141</u>	<u>533,615</u>	<u>457,659</u>
Pass-through to partner agencies							
Client assistance	1,224,903	88,882	1,313,785	-	-	1,313,785	1,278,487
In-kind	-	-	-	-	-	-	13,000
Homeless prevention	3,728,068	-	3,728,068	-	-	3,728,068	1,239,858
Professional fees	-	-	-	16,485	-	16,485	11,715
Staff development	-	-	-	19,282	575	19,857	20,812
Stipends	6,715	-	6,715	200	-	6,915	5,999
Rent and utilities	21,055	-	21,055	6,880	16,351	44,286	41,837
Telephone	2,798	-	2,798	805	1,980	5,583	5,211
Internet and website	6,890	-	6,890	2,158	4,396	13,444	11,049
Marketing	1,334	-	1,334	396	1,876	3,606	21,969
Insurance	829	-	829	1,762	417	3,008	7,452
Supplies and equipment maintenance and rent	3,268	-	3,268	1,817	2,342	7,427	6,894
Postage	2,248	-	2,248	689	5,278	8,215	6,538
Printing	5,296	-	5,296	4,068	10,379	19,743	10,505
Staff travel and meetings	328	-	328	18,706	1,970	21,004	11,243
In-kind donations	80	-	80	826	369	1,275	-
Special event expenses	-	-	-	-	6,137	6,137	21,117
Interest	-	-	-	466	-	466	807
Bank fees and credit card processing	3,078	-	3,078	401	-	3,479	1,984
Miscellaneous	550	-	550	6,480	4,310	11,340	5,185
Total other operating expenses	<u>5,007,440</u>	<u>88,882</u>	<u>5,096,322</u>	<u>81,421</u>	<u>56,380</u>	<u>5,234,123</u>	<u>2,721,662</u>
Total expenses before depreciation expense	5,276,454	88,882	5,365,336	168,881	233,521	5,767,738	3,179,321
Depreciation	3,957	-	3,957	1,347	3,115	8,419	6,948
Total Expenses	<u>\$ 5,280,411</u>	<u>\$ 88,882</u>	<u>\$ 5,369,293</u>	<u>\$ 170,228</u>	<u>\$ 236,636</u>	<u>\$ 5,776,157</u>	<u>\$ 3,186,269</u>

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

EMERGENCY FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008 (with comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operations</u>		
Cash received - contributions	\$ 4,576,779	\$ 5,126,977
Cash received - special events	81,045	80,993
Cash received - interest	12,758	22,613
Payments for interest	(466)	(807)
Payments for wages and other operating expenses	<u>(5,868,672)</u>	<u>(3,132,036)</u>
Net cash (used) provided by operating activities	<u>(1,198,556)</u>	<u>2,097,740</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	6,313	115,560
Purchase of investments	(5,816)	(42,473)
Purchase of furniture and equipment	<u>(8,697)</u>	<u>(11,061)</u>
Net cash (used) provided in investing activities	<u>(8,200)</u>	<u>62,026</u>
<u>Cash Flows from Financing Activities</u>		
Capital asset addition	-	6,515
Payments on capital lease	<u>(6,755)</u>	<u>(6,165)</u>
Net cash (used) provided in financing activities	<u>(6,755)</u>	<u>350</u>
Net (decrease) increase in cash and cash equivalents	(1,213,511)	2,160,116
Cash and cash equivalents, beginning of year	<u>2,629,276</u>	<u>469,160</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,415,765</u></u>	<u><u>\$ 2,629,276</u></u>
<u>Reconciliation of Change in Net Assets to Net Cash (Used) Provided by Operating Activities</u>		
Change in net assets	\$ (179,578)	\$ (182,302)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	8,419	6,948
Unrealized/realized gains	50,087	1,877
Donated stock	(6,313)	(2,575)
Change in assets - (increase) decrease		
Contribution receivable	(28,584)	76,067
Government receivable	102,500	19,160
Other receivable	-	2,339
Prepaid expense	4,103	(1,925)
Change in liabilities - increase (decrease)		
Accounts payable	(112,335)	33,782
Refundable advance	(1,042,412)	2,142,748
Accrued payroll	<u>5,557</u>	<u>1,621</u>
Net cash (used) provided by operating activities	<u><u>\$ (1,198,556)</u></u>	<u><u>\$ 2,097,740</u></u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Capital lease additions	<u><u>\$ -</u></u>	<u><u>\$ 6,515</u></u>

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

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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. 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 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.

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.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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.

Accounting 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts and securities investor protection corporation accounts. The repurchase sweep account is 100% collateralized by leases within MB financial Bank. The repurchase sweep account balance at December 31, 2008 was \$1,155,863. Also, at December 31, 2008, the Organization's remaining bank deposits exceeded federally insured and securities investor protection corporation limits by \$41,000.

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, 2008

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, 2008, \$1,275 of in-kind donations were received by the Organization in connection with its special events and other activities.

Certain Vulnerabilities and Concentrations

The Organization's total public support and revenue for the year ended December 31, 2008 amounted to \$5,596,579. Of this amount, \$3,628,067 was received from the Illinois Department of Human Services. Any negative change in the economy could have an impact on contributions, fundraising efforts.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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, 2007, 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, 2008 were as follows:

Money market funds - permanently restricted	\$ 45,381
Mutual funds	85,774
	<u>\$ 131,155</u>

They are reflected in the financial statements as:

Investments - Board designated	\$ 26,593
Investments - permanently restricted	104,562
	<u>\$ 131,155</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 2012. Rental expense for these leases, which includes associated building operating costs and real estate taxes, totaled \$46,054 for the year ended December 31, 2008.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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>(12,271)</u>	Accumulated amortization	<u>(3,258)</u>
Net book value of copier	<u>\$ 5,259</u>	Net book value of telephone system	<u>\$ 3,257</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:

	Capital Leases	Operating Leases
2009	\$ 4,223	\$ 41,675
2010	-	6,372
2011	-	6,372
2012	-	1,593
Total minimum lease payments remaining	<u>4,223</u>	<u>\$ 56,012</u>
Less interest included in payments	<u>(105)</u>	
Present value of net minimum capital lease payments	4,118	
Current installment of obligation under capital lease	<u>(4,118)</u>	
Long-term capital lease obligation	<u>\$ -</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, 2008 amounted to \$11,458.

EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 5 - Restricted Net Assets

At December 31, 2008, temporarily restricted net assets are comprised of the following:

Reade Industrial Crises program	\$ 14,234
Com Ed Homeless Prevention Fund	39,488
External Evaluator	25,000
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	\$ 78,722
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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 \$104,562 in market value at December 31, 2008.

Note 6 - Line of Credit

The Organization is obligated for credit cards issued in its name. At December 31, 2008, the Organization's total line of credit related to these cards is \$10,000, of which, \$1,300 is outstanding and included in accounts payable.

Note 7 - Refundable Advance

Refundable advances as of December 31, 2008 consist of the following advances from government sources, which are to be expended on future programs as described by funders.

Illinois Department of Human Services to be refunded or approved to be carried forward	\$ 20,503
Interest Income earned on funds received from the Illinois Department of Human Services approved to be carried forward through fiscal year 2009	38,449
Illinois Department of Human Services through fiscal year 2009	1,057,884
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	\$ 1,116,836
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EMERGENCY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 8 - 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, 2008:

<u>Grant</u>	<u>Term</u>	<u>Conditional Promise Amount</u>	<u>Conditions Met or Funds Advanced as of 12/31/2008</u>	<u>Conditional Promises Available</u>
Conditional Promises to Give Upon Expenditures of Funds:				
State of Illinois - Department of Human Services	7/1/08 to 6/30/09	\$ 3,298,900	\$ (2,547,206)	\$ 751,694
City of Chicago - Department of Housing	12/1/08 to 12/1/09	700,000	7,500	692,500
		<u>\$ 3,998,900</u>	<u>\$ (2,539,706)</u>	<u>\$ 1,444,194</u>