

**EMERGENCY FUND**

**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2010 AND 2009**

**TOGETHER WITH AUDITOR'S REPORT**

# Dugan & Lopatka

Certified Public Accountants & Consultants  
A Professional Corporation  
104 East Roosevelt Road  
Wheaton, Illinois 60187  
(630) 665-4440  
Fax (630) 665-5030  
www.duganlopatka.com  
e-mail: info@duganlopatka.com

Michael J. Dugan  
Jerry L. Lopatka  
Mark F. Schultz  
Peter J. Zich  
Leo M. Misdorn

T. Brett Flickinger  
Karen M. Olson  
Hugh E. Elliott  
James P. Hofner

Gwen S. Henry

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
the Emergency Fund:

We have audited the accompanying statement of financial position of the Emergency Fund (a nonprofit organization) as of December 31, 2010 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Emergency Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Emergency Fund's 2009 financial statements, which were audited by other auditors whose opinion dated, February 26, 2010, expressed an unqualified opinion on those statements.

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 the Emergency Fund as of December 31, 2010, 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.

*Dugan + Lopatka*

DUGAN & LOPATKA

Wheaton, Illinois  
April 18, 2011

EMERGENCY FUND  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010  
(with comparative totals for 2009)

<u>A S S E T S</u>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents - Unrestricted	\$ 398,119	\$ 118,408
- Board designated general	105,142	104,655
- Restricted	124,541	77,983
Investments - Temporarily restricted	29,763	26,594
Unconditional promises to give, current maturities	117,638	358,262
Government contributions receivable	979,765	231,693
Prepaid expenses	15,617	27,193
	<u>1,770,585</u>	<u>944,788</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	78,810	68,728
Computer Software	63,737	24,211
	<u>142,547</u>	<u>92,939</u>
Less - Accumulated depreciation and amortization	(66,396)	(40,616)
	<u>76,151</u>	<u>52,323</u>
<b>OTHER ASSETS</b>		
Investments and cash - Permanently Restricted	143,833	130,843
Unconditional promises to give, net of current maturities	58,000	-
	<u>201,833</u>	<u>130,843</u>
Total other assets	<u>201,833</u>	<u>130,843</u>
Total assets	<u>\$ 2,048,569</u>	<u>\$ 1,127,954</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 23,136	\$ 59,203
Accrued payroll	40,394	30,230
Refundable advances	961,759	3,964
Capital lease obligations, current portion	4,150	3,671
	<u>1,029,439</u>	<u>97,068</u>
<b>NON-CURRENT LIABILITIES:</b>		
Capital leases - net of current portion	3,868	8,018
	<u>1,033,307</u>	<u>105,086</u>
<b>NET ASSETS:</b>		
Unrestricted - General	447,416	376,353
- Board designated - endowment	105,142	104,655
- Board designated - partner allotments	-	156,247
Temporarily restricted	302,704	225,613
Permanently restricted	160,000	160,000
	<u>1,015,262</u>	<u>1,022,868</u>
	<u>\$ 2,048,569</u>	<u>\$ 1,127,954</u>

EMERGENCY FUND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(with comparative totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 1,510,793	\$ 254,771	\$ -	\$ 1,765,564
Illinois Department of Human Services	941,336	-	-	941,336
Chicago Department of Family and Support Services	8,183,693	-	-	8,183,693
Holiday Fund contributions	68,346	-	-	68,346
Donated equipment, capitalized	-	-	-	-
Donated services	-	-	-	-
Special events, net of expenses of \$76,787 and \$57,592 in 2010 and 2009, respectively	54,293	-	-	54,293
Program fees	2,629	-	-	2,629
Miscellaneous income	25	-	-	25
Interest and dividends	37	3,169	-	3,206
Net unrealized/realized gain on investments	12,990	-	-	12,990
Net assets released from restriction:				
Satisfaction of program restrictions	180,849	(180,849)	-	-
Total support and revenue	10,954,991	77,091	-	11,032,082
<b>FUNCTIONAL EXPENSES:</b>				
Program services -				
Financial assistance	10,398,706	-	-	10,398,706
Holiday Fund	68,346	-	-	68,346
Total programs services	10,467,052	-	-	10,467,052
Management and general Fundraising	256,944	-	-	256,944
	315,692	-	-	315,692
	572,636	-	-	572,636
Total functional expenses	11,039,688	-	-	11,039,688
<b>CHANGE IN NET ASSETS</b>				
NET ASSETS, Beginning of year	(84,697)	77,091	-	(7,606)
NET ASSETS, End of year	637,255	225,613	160,000	1,022,868
	\$ 552,558	\$ 302,704	\$ 160,000	\$ 1,015,262

The accompanying notes are an integral part of this statement.

EMERGENCY FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(with comparative totals for 2009)

	Financial Assistance	Holiday Fund	Total Program Services	Management and General	Fundraising	2010 Total	2009 Total
Salaries and temporary agency employees	\$ 373,500	-	\$ 373,500	\$ 152,348	\$ 197,086	\$ 722,934	\$ 539,591
Payroll taxes and fringe benefits	89,790	-	89,790	31,626	36,966	158,382	108,854
Pass through to partner agencies for client assistance	463,290	-	463,290	183,974	234,052	881,316	648,445
Homeless Prevention and Rapid Re-Housing	1,049,737	68,346	1,118,083	-	-	1,118,083	894,585
State homeless prevention	7,838,706	-	7,838,706	-	-	7,838,706	286,816
Professional fees	941,336	-	941,336	-	-	941,336	1,818,004
Donated services	10,070	-	10,070	19,606	10,258	39,934	41,035
Staff development	-	-	-	-	-	-	14,959
Fund manager expenses	77	-	77	4,650	5,181	9,908	19,700
Occupancy expenses	12,925	-	12,925	-	-	12,925	6,507
Insurance	30,377	-	30,377	7,385	13,816	51,578	49,411
Utilities	2,354	-	2,354	2,214	1,070	5,638	5,377
Equipment lease and maintenance	7,564	-	7,564	3,447	3,626	14,637	12,351
Marketing and communications	2,448	-	2,448	417	1,905	4,770	2,771
Office supplies	-	-	-	-	13,259	13,259	22,830
Postage and shipping	9,094	-	9,094	2,385	4,770	16,249	14,467
Printing and publications	3,982	-	3,982	365	2,650	6,997	3,677
Travel and meetings	-	-	-	2,016	9,847	11,863	12,632
Computer software and maintenance	8,150	-	8,150	8,238	1,928	18,316	12,800
Membership dues and subscription	994	-	994	1,645	5,028	7,667	-
Interest	1,099	-	1,099	2,505	684	4,288	2,979
Bank fees and credit card processing	732	-	732	260	320	1,312	348
Miscellaneous	951	-	951	10,292	9	11,252	6,590
	-	-	-	3,875	-	3,875	11,336
Total expenses before depreciation expense	10,383,886	68,346	10,452,232	253,274	308,403	11,013,909	3,887,620
Depreciation	14,820	-	14,820	3,670	7,289	25,779	16,694
Total expenses	\$ 10,398,706	\$ 68,346	\$ 10,467,052	\$ 256,944	\$ 315,692	\$ 11,039,688	\$ 3,904,314

The accompanying notes are an integral part of this statement.

EMERGENCY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received - Contributions	\$ 11,351,286	\$ 2,677,821
- Special events	122,635	84,700
- Other	2,654	7,655
Interest and dividends received	3,206	3,298
Interest paid	(1,312)	(348)
Cash paid to suppliers and employees	<u>(11,095,266)</u>	<u>(3,846,238)</u>
Net cash provided by (used in) operating activities	<u>383,203</u>	<u>(1,073,112)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of investments	-	1,015
Purchases of investments	(3,169)	(2,585)
Purchases of furniture and equipment	<u>(49,607)</u>	<u>(35,348)</u>
Net cash (used in) investing activities	<u>(52,776)</u>	<u>(36,918)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital leases	<u>(3,671)</u>	<u>(4,689)</u>
Net change in cash and cash equivalents	326,756	(1,114,719)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>301,046</u>	<u>1,415,765</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 627,802</u>	<u>\$ 301,046</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (7,606)	\$ 473,975
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,779	16,694
Unrealized (gain) from investment	(12,990)	(23,193)
Donated fixed assets	-	(1,900)
Donated stock	-	(1,519)
Changes in other operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	182,624	(246,692)
(Increase) in government contributions receivable	(748,072)	(224,193)
(Increase) decrease in prepaid expenses	11,576	(24,621)
Decrease in security deposit	-	3,215
Increase (decrease) in accounts payable	(36,067)	55,674
Increase in accrued payroll	10,164	12,320
Increase (decrease) in refundable advances	<u>957,795</u>	<u>(1,112,872)</u>
Net cash provided by (used in) operating activities	<u>\$ 383,203</u>	<u>\$ (1,073,112)</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capital expenditures financed under capital leases	<u>\$ -</u>	<u>\$ 12,260</u>

The accompanying notes are an integral part of this statement.

EMERGENCY FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Emergency Fund, (the Organization) formerly known as The Emergency Fund for Needy People, 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. The Organization pursues this mission through the following programs:

- The Flexible Financial Fund operates through a network of partner agencies throughout the Chicago area, with each partner agency receiving a monthly allotment. A trained social worker or case manager referred to as the Fund Manager distributes these dollars to people in need, in two ways (1) Crisis Solution grants, which are designed with the short-term needs faced by the working poor in mind. Transportation passes, food vouchers, eyeglasses, prescription medicine, and clothing are examples of the many uses of the Crisis Solution grants. Families can receive up to \$300 in assistance once per year. (2) Self-Sufficiency grants, which assist families with rent, utilities and basic necessities while the head of the household completes an employment program. Families may receive assistance multiple times within a period of several months, with a limit of \$2,500 per year. The Organization is the largest provider of private homeless prevention funding in the State of Illinois.
- The Organization 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 Organization was asked to become the steward of these dollars starting in 2007, providing the opportunity to streamline the distribution of the dollars and in conjunction with other community dollars ensuring that scarce resources are used in the most cost effective way.
- The twelve-month pilot implementation of the Rapid Rehousing: Stable Families Initiative with funding from the City of Chicago. This program aimed to reduce homelessness and increase the range of opportunities for families to secure housing, stay housed, and achieve self-sufficiency. This program ended in April, 2010 when the grant expired.
- In 2009, the Organization was selected by the City of Chicago's Department of Family and Support Services (DFSS) to administer \$23 million in federal homelessness prevention funding provided through the American Recovery and Reinvestment Act (ARRA). The funds support the City's Homelessness Prevention and Rapid Re-Housing Program (HPRP), and are being distributed over a three-year period to eligible clients for rent, security deposits, utility bills, and moving costs. The Organization administers the funding through seven partner agencies designated by the DFSS.
- Holiday Fund provides food baskets to senior citizens and families on the north and northwest side of Chicago during the holidays.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

The financial statements were available to be issued on April 18, 2011, with subsequent events being evaluated through this date.

The following is a brief summary of the accounting policies adopted by the Organization:

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 -

Financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC), *Financial Statements of Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, 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, 2010 was \$11,860. Also at December 31, 2010, the Organization's remaining bank deposits do not exceed federally insured and securities investor protection.

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.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

Receivables -

Receivables represent grants and donations due to the Organization from governmental agencies, non-profit agencies, foundations and individuals. Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Allowance for Doubtful Accounts -

The Organization considers contributions and grants receivable to be fully collectible and, accordingly, utilizes the direct write-off method, which closely approximates the allowance method, to record bad debts. Based on historical collection activity, no allowance is deemed necessary.

Property and Equipment -

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

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.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

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, 2010, \$8,445 of in-kind donations were received by the Organization in connection with its special events and for general administration.

Functional Allocation of Expenses -

The costs of providing various programs and other activities have been summarized on a function basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status -

The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). 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). The tax-exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of note 1. The Organization continues to operate in compliance with its tax-exempt purpose.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007. The Organization does not have any unrecognized tax benefits and does not expect this to change in the next twelve months.

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, 2009, from which the summarized information was derived.

Reclassifications -

Certain amounts previously reported in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

(2) INVESTMENTS:

The readily determinable market value of investments held by the Organization as of December 31, 2010 was as follows:

Money market funds	\$ 45,682
Mutual funds	<u>127,914</u>
	<u>\$ 173,596</u>

They are reflected in the financial statements as:

Investments - Temporarily restricted	\$ 29,763
- Permanently restricted	<u>143,833</u>
	<u>\$ 173,596</u>

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(3) FAIR VALUE MEASUREMENTS: (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at December 31, 2010.

Mutual Funds: Valued at the net asset value (NAV) of shares held at year end.

Money Market: Valued at cost as of the year end, which approximates market.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

The following table sets forth by level, within the fair hierarchy, the Organization's assets at fair value at December 31, 2010:

<u>Description</u>	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 127,914	\$ -	\$ -	\$ 127,914
Money market funds	45,682	-	-	45,682
Total assets at fair value	<u>\$ 173,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,596</u>

(4) CONDITIONAL PROMISES TO GIVE:

The Organization has received the following conditional promises to give, upon expenditure of funds, that are not recognized as assets in the statement of financial position as of December 31, 2010:

	<u>Term</u>	<u>Conditional Promise Amount</u>	<u>Conditions Met or Funds Advanced</u>	<u>Conditional Promises Available</u>
Conditional promises to give upon expenditures of funds:				
Illinois Department of Human Services Homeless Prevention	7/1/10 to 6/30/11	\$ 720,480	\$ -	\$ 720,480
Chicago Department of Family and Supportive Services - Homeless Services Program Contract (PO) Number 20513	9/1/10 to 8/31/11	<u>12,388,672</u>	<u>(3,467,402)</u>	<u>8,921,270</u>
		<u>\$ 13,109,152</u>	<u>\$ (3,467,402)</u>	<u>\$ 9,641,750</u>

(5) REFUNDABLE ADVANCE:

As of December 31, 2010, the Organization had \$11,759 of unspent funding from the Illinois Department of Human Services (IDHS) that will be refunded to IDHS or spent in future years if approved by the IDHS.

As of December 31, 2010, the Organization had \$950,000 outstanding advance from the City of Chicago Department of Family and Support Services to defray immediate cash requirements for client assistance payments. Cash advances are liquidated within 30 days of receipt.

(6) COMMITMENTS AND CONTINGENCIES:

Capital and Operating Leases -

The Organization is obligated under a capital lease for a copier that expires in October, 2012. The gross amount of this copier and related accumulated amortization recorded under this capital lease is as follows at December 31, 2010.

Copier	\$	12,260
Accumulated amortization		<u>(6,129)</u>
Net book value of capital lease	\$	<u>6,131</u>

Amortization of the asset held under this capital lease is included with depreciation expense.

The Organization has an operating lease for its office space which expires in November, 2014. Rental expense for office space, which includes associated building operating costs and real estate taxes, totaled \$50,816 for the year ended December 31, 2010.

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 Leases</u>
2011	\$ 4,908	\$ 73,615
2012	4,090	78,570
2013	-	81,270
2014	<u>-</u>	<u>76,780</u>
Total minimum lease payments	8,998	<u>\$ 310,235</u>
Amounts representing interest	<u>(980)</u>	
Present value of net minimum capital lease payments	8,018	
Current portion of capital lease obligations	<u>4,150</u>	
Long-term capital lease obligations	<u>\$ 3,868</u>	

(6) COMMITMENTS AND CONTINGENCIES: (Continued)

Government Funding -

Support funded by Government grants is recognized as the Organization expends the funds in accordance with the grant agreements. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time. Management does not anticipate any adjustments for the revenue shown in December 31, 2010 from these sources.

(7) LINES OF CREDIT:

The Organization has a \$350,000 line of credit expiring in November, 2011. At December 31, 2010, the Organization did not have any funds borrowed against the line of credit. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate but cannot be less than 5%.

(8) EMPLOYEE BENEFIT PLAN:

The Organization 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 ended December 31, 2010, 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, 2010 amounted to \$17,114.

(9) RESTRICTED NET ASSETS:

At December 31, 2010, temporarily restricted net assets are comprised of the following:

Reade Industrial Crises program	\$ 13,929
TCF Bank - Foreclosure program	18,170
Pierce Foundation program	8,442
Income restricted due to time restriction	232,400
Income on permanently restricted endowment until appropriated for expenditures	<u>29,763</u>
	<u>\$ 302,704</u>

(10) DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS:

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(10) DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS: (Continued)

*Interpretation of Relevant Law -*

The Audit/Finance Committee of the Board of Directors of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 Organization in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA.

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (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 Organization;
- (7) The investment policies of the Organization.

In the year ended December 31, 2010, the Organization had the following endowment-related activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 75,498	\$ 26,594	\$ 160,000	\$ 262,092
Investment return:				
Investment income	38	3,169	-	3,207
Net appreciation (realized/unrealized)	<u>12,961</u>	<u>-</u>	<u>-</u>	<u>12,961</u>
Total investment return	<u>12,999</u>	<u>3,169</u>	<u>-</u>	<u>16,168</u>
Transfer to add assets to board-designated endowment fund	<u>478</u>	<u>-</u>	<u>-</u>	<u>478</u>
	<u>\$ 88,975</u>	<u>\$ 29,763</u>	<u>\$ 160,000</u>	<u>\$ 278,738</u>

(10) DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS: (Continued)

*Endowment Net Asset Composition by Type of Fund -*

The composition of endowment net assets by type of fund as of December 31, 2010 is as follows -

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (16,167)	\$ 29,763	\$ 160,000	\$ 173,596
Board-designated endowment funds	<u>105,142</u>	<u>-</u>	<u>-</u>	<u>105,142</u>
Total endowment funds	<u>\$ 88,975</u>	<u>\$ 29,763</u>	<u>\$ 160,000</u>	<u>\$ 278,738</u>

*Funds with Deficiencies -*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. In accordance with GAAP, deficiencies of this nature would be and have been reported in unrestricted net assets. Although the donor-restricted endowment had a net appreciation of \$12,961 during 2010, there remains a deficiency of \$16,167 as of December 31, 2010 resulting from past years' market downturns.

*Return Objectives and Risk Parameters -*

The Organization adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the original fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The overall objectives of the investment policy of the Organization, in order of importance, shall be the safety of principal, liquidity and competitive rate of return.

*Strategies Employed for Achieving Objectives -*

The board-designated fund is intended to be a "safety net" account to the Organization's operational cash flow. Consequently, the directive of this fund is relative stability of principal, with income the primary objective and growth secondary. The expectation is that 100% of the investments are held in cash and cash equivalents.

The total return strategy is adopted for the donor-restricted endowment. It can assume a moderate level of risk, with growth as the primary objective and income secondary. These are expected to be achieved through a diversified asset allocation portfolio that includes (a) an allocation target of 60% equities and 40% fixed income; (b) investment in both domestic and international securities across all market capitalizations; and (c) investment in mutual funds, both opened and closed, but not in individual stocks.

(10) DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS: (Continued)

*Spending Policy and How the Investment Objectives Relate to Spending Policy -*

In accordance with the Organization's investment policy, all income, including dividends and interest earnings, and net appreciation from the endowment funds are reinvested into the individual endowment funds. The board will direct these funds for the operation of the Organization when needed.

In establishing this policy, the Organization considered the long-term expected return particularly of its donor-restricted endowment funds. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 8-9 percent annually. This is consistent with the Organization's objective to maintain the original value of the endowment assets held in perpetuity as well as to provide additional real growth through investment returns.

(11) CONCENTRATIONS OF GRANTS:

The Organization received approximately 74% of its total public support and revenue for the year ended December 31, 2010 from Chicago Department of Family and Support Services.