

Chicago Commons Association

Financial Report
June 30, 2011

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Independent Auditor's Report

To the Board of Directors
Chicago Commons Association
Chicago, Illinois

We have audited the accompanying Statement of Financial Position of Chicago Commons Association (Commons) as of June 30, 2011, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. The financial statements are the responsibility of Commons' 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 Commons' 2010 financial statements and, in our report dated March 25, 2011, we expressed an unqualified opinion on those financial 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2011, and 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.

McGladrey & Pullen, LLP

Chicago, Illinois
December 5, 2011

Chicago Commons Association

**Statement of Financial Position
June 30, 2011 (With Comparative Totals For 2010)**

	2011	2010
Assets		
Cash and cash equivalents	\$ 1,998,099	\$ 928,240
Accounts receivable, net	3,824,644	4,252,650
Other current assets	35,104	87,235
Contributions receivable, net	92,651	52,500
Investments	71,089	68,614
Property and equipment, net	2,343,657	2,474,151
Deferred financing fees	7,559	8,423
Other assets	-	200,000
	<u>\$ 8,372,803</u>	<u>\$ 8,071,813</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 336,302	\$ 863,589
Accrued expenses	771,183	733,514
Advances from government agencies	526,752	29,000
Notes payable	1,323,669	1,416,354
Accrued settlement and retirement obligations	100,000	129,206
	<u>3,057,906</u>	<u>3,171,663</u>
Net Assets		
Unrestricted	3,660,862	3,091,394
Temporarily restricted	1,577,035	1,731,756
Permanently restricted	77,000	77,000
	<u>5,314,897</u>	<u>4,900,150</u>
	<u>\$ 8,372,803</u>	<u>\$ 8,071,813</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Activities

Year Ended June 30, 2011 (With Comparative Totals For 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Public support and revenue:					
Direct public support:					
Contributions for general operations	\$ 241,453	\$ -	\$ -	\$ 241,453	\$ 430,425
Contributions to support funded operations	-	262,787	-	262,787	167,645
Special events, net of expenses of \$82,262 in 2011 and \$87,437 in 2010	109,309	-	-	109,309	144,530
Indirect public support:					
Allocations by United Way	210,000	-	-	210,000	255,578
Net assets released from restrictions	224,065	(224,065)	-	-	-
	784,827	38,722	-	823,549	998,178
Fees and grants from governmental agencies	21,832,571	-	-	21,832,571	20,066,450
Client fees and other support	205,923	-	-	205,923	401,646
Investment income	21,281	-	-	21,281	8,862
Miscellaneous	78,757	-	-	78,757	53,217
	22,923,359	38,722	-	22,962,081	21,528,353
Expenses:					
Program services:					
Child development	10,569,670	-	-	10,569,670	9,996,303
Senior services	8,055,517	-	-	8,055,517	7,857,820
Youth services	491,407	-	-	491,407	664,427
Adult education	1,025,599	-	-	1,025,599	724,896
Community services	525,410	-	-	525,410	135,765
	20,667,603	-	-	20,667,603	19,379,211
Supporting services:					
Management and general	1,478,281	-	-	1,478,281	1,504,145
Fundraising	201,698	-	-	201,698	235,044
	1,679,979	-	-	1,679,979	1,739,189
Operating expenses	22,347,582	-	-	22,347,582	21,118,400
Increase in net assets before other changes	575,777	38,722	-	614,499	409,953
Other changes in net assets:					
Net investment gains	248	-	-	248	3,391
Impairment loss	(6,557)	(193,443)	-	(200,000)	(212,700)
	(6,309)	(193,443)	-	(199,752)	(209,309)
Increase (decrease) in net assets	569,468	(154,721)	-	414,747	200,644
Net assets:					
Beginning of year	3,091,394	1,731,756	77,000	4,900,150	4,699,506
End of year	\$ 3,660,862	\$ 1,577,035	\$ 77,000	\$ 5,314,897	\$ 4,900,150

See Notes to Financial Statements.

Chicago Commons Association

Statement of Functional Expenses

Year Ended June 30, 2011 (With Comparative Totals For 2010)

	Program Services					Total Program Services
	Child Development	Senior Services	Youth Services	Adult Education	Community Services	
Functional expenses:						
Salary and wages	\$ 5,043,522	\$ 6,270,182	\$ 249,795	\$ 303,976	\$ 179,986	\$ 12,047,461
Payroll taxes and employee benefits	1,040,897	790,902	68,569	74,395	18,737	1,993,500
	<u>6,084,419</u>	<u>7,061,084</u>	<u>318,364</u>	<u>378,371</u>	<u>198,723</u>	<u>14,040,961</u>
Professional development, travel, and conferences	153,226	18,287	10,109	3,798	2,188	187,608
Supplies	806,253	44,609	19,831	20,665	6,724	898,082
Operating expenses	1,962,018	630,019	56,880	75,074	309,336	3,033,327
Professional services	368,799	21,360	28,437	127,066	4,585	550,247
Building, utilities, and insurance	1,111,886	194,876	56,909	420,605	3,005	1,787,281
Equipment maintenance, rentals, and repairs	453	37,404	(16,500)	20	849	22,226
Depreciation and amortization	82,616	47,878	864	-	-	131,358
Interest expense	-	-	16,513	-	-	16,513
	<u>\$ 10,569,670</u>	<u>\$ 8,055,517</u>	<u>\$ 491,407</u>	<u>\$ 1,025,599</u>	<u>\$ 525,410</u>	<u>\$ 20,667,603</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Functional Expenses (Continued)

Year Ended June 30, 2011 (With Comparative Totals For 2010)

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2011	2010
Functional expenses:					
Salary and wages	\$ 681,550	\$ 111,411	\$ 792,961	\$ 12,840,422	\$ 12,242,540
Payroll taxes and employee benefits	134,368	19,684	154,052	2,147,552	1,972,610
	<u>815,918</u>	<u>131,095</u>	<u>947,013</u>	<u>14,987,974</u>	<u>14,215,150</u>
Professional development, travel, and conferences	15,404	3,170	18,574	206,182	183,362
Supplies	16,707	463	17,170	915,252	993,391
Operating expenses	46,573	30,168	76,741	3,110,068	2,794,009
Professional services	363,571	18,028	381,599	931,846	658,623
Building, utilities, and insurance	143,060	18,771	161,831	1,949,112	1,943,252
Equipment maintenance, rentals, and repairs	1,685	3	1,688	23,914	118,582
Depreciation and amortization		-	-	131,358	126,030
Interest expense	75,363	-	75,363	91,876	86,001
	<u>\$ 1,478,281</u>	<u>\$ 201,698</u>	<u>\$ 1,679,979</u>	<u>\$ 22,347,582</u>	<u>\$ 21,118,400</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Cash Flows

Year Ended June 30, 2011 (With Comparative Totals for 2010)

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 414,747	\$ 200,644
Impairment loss	200,000	212,700
In-kind contributions - vehicles	-	(115,578)
Depreciation and amortization	131,358	126,030
Net gain on investments	(248)	(3,391)
Changes in:		
Accounts receivable	428,006	272,357
Other current assets	52,131	11,678
Contributions receivable	(40,151)	62,362
Accounts payable and accrued expenses	(489,618)	(59,486)
Advances from government agencies	497,752	26,250
Accrued retirement obligations	(19,206)	(16,893)
Net cash provided by operating activities	1,174,771	716,673
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(13,998)
Purchases of investments	(2,227)	(2,436)
Net cash used in investing activities	(2,227)	(16,434)
Cash Flows from Financing Activities		
Repayment on line of credit, net	-	(475,000)
Proceeds from notes payable	-	750,000
Payments of notes payable	(92,685)	(70,750)
Repayments of settlement obligation	(10,000)	(10,000)
Net cash (used in) provided by financing activities	(102,685)	194,250
Increase in cash and cash equivalents	1,069,859	894,489
Cash and cash equivalents:		
Beginning of year	928,240	33,751
End of year	\$ 1,998,099	\$ 928,240
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 94,407	\$ 83,472

See Notes to Financial Statements.

Chicago Commons Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Chicago Commons Association (Commons) is a nonprofit social services agency that partners with individuals, families, and communities to overcome poverty, discrimination, and isolation. Commons creates programs that promote self-sufficiency and strengthen individuals at key stages of life from child development to elderly care. Commons targets its program services to communities affected by high rates of poverty and limited educational and economic resources for families. Commons operates five core programs - Child Development, Senior Services, Youth Services, Adult Education, and Community Services, and bases its operations in three Chicago neighborhoods - West Humboldt Park, Pilsen, and New City/Back of the Yards.

Commons was founded in 1894 as a settlement house on the near west side of Chicago, Illinois, a neighborhood then populated by recent immigrants who were vulnerable to the largely unregulated growth of industrial, urban America. Throughout its history, Commons has successfully adjusted its programs and targeted communities to respond to changes in the needs of Chicago's neighborhoods. As in previous times, Commons continues to transform itself to ensure that resources are used in the way to make a deep and lasting impact on the people and neighborhoods that participate in its programs.

Commons receives a significant portion of its funding from city, state and federal government programs. In addition, Commons continues to raise significant private resources from individuals, corporations, foundations and through federated appeals such as the United Way.

Commons is a party to a master services agreement for financial and accounting services with an initial term through 2016. Commons will be responsible for monthly fees for services rendered and reimbursement of expenses. Certain fees may also be payable if Commons terminates the arrangement.

Basis of presentation: The Commons' financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to nonprofit organizations.

Accounting standards: Commons follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to generally accepted accounting principles (GAAP) in these footnotes are to the *FASB Accounting Standards CodificationTM*, sometimes referred to as the Codification or ASC.

Classification of net assets: Net assets and related activities of the various funds are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor imposed restrictions.

Unrestricted: Net assets available for support of Commons' operations and are not subject to donor-imposed restrictions.

Temporarily Restricted: Net assets subject to donor-imposed restrictions that may or will be met either by actions of Commons or the passage of time. Temporarily restricted net assets are released and reclassified to unrestricted net assets when the restrictions have been met. Restricted amounts received in the same period in which the restrictions are satisfied are recorded in the unrestricted class.

Permanently Restricted: Net assets subject to donor-imposed restrictions requiring that the contributed assets be invested and maintained permanently by Commons. Commons may use all or part of the income earned on the related investments for unrestricted purposes.

Chicago Commons Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Commons recognizes donors' unconditional promises to give cash and other assets as revenue in the period the promises are made. Contributions receivable have been recorded for amounts expected to be collected in the future. At June 30, 2011, amounts were primarily due within one year. Contributions to be received after one year are discounted to present value. Amortization of the discount is recorded as contribution revenue. No allowance for uncollectible contributions at June 30, 2011 has been provided based upon management's assessment, which includes analysis of various factors including prior collection history, type of contribution, and nature of fundraising activity.

Donors' promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met.

Contributions received with donor-imposed temporary restrictions are recorded as temporarily restricted revenue, unless satisfaction of restrictions occurs in the same year as revenue recognition, in which case the contributions are recorded as unrestricted revenue.

Donated materials and other noncash donations are recorded as contributions at their estimated fair value on the date received. The contribution to Commons of the Nia Family Center in fiscal 2005 was recorded in temporarily restricted revenue because the contribution included time and purpose restrictions. Temporarily restricted net assets include the net book value of the facility, and these net assets are released from restriction in an amount equivalent to depreciation expense recorded on the facility.

Many individuals volunteer their time and perform a variety of tasks that assist Commons with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion. Contributions of services are recognized if the services received (a) create or enhance nonfinancial 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. Commons reports such contributions at their estimated fair value when received.

Fees and grants from governmental agencies: Revenue from government grants and contract agreements is recognized as it is earned. Revenue is considered earned when it is expended in accordance with the agreement. Unexpended amounts, including amounts received in advance, are recorded as advances from government agencies.

Cash and cash equivalents: Cash equivalents include amounts held in money market accounts and certificates of deposit with original maturities of three months or less. Commons maintains its cash balances in bank and money market accounts which, at times, may exceed federally insured limits. Commons has not experienced any losses in such accounts and management believes that Commons is not exposed to any significant credit risk on cash.

Accounts receivable: Receivables are almost entirely due from governmental agencies and are valued at management's estimate of the amount that will ultimately be collected. Management recorded an allowance for doubtful accounts of \$30,683 at June 30, 2011 based on specific identification of uncollectible accounts and historical collection experience.

Investments: Investments are recorded at fair value, based on quoted prices in active markets for identical assets. Changes in market value are recorded as unrealized gains (losses).

Chicago Commons Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Commons' investment portfolio is exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could affect the amounts reported in the statement of activities. Changes in fair value are included in net investment gains or losses on the statement of activities.

Property and equipment: Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment in amounts over \$5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. The cost and accumulated depreciation of items sold or returned are removed from the property and equipment account and any gain or loss upon disposition is recognized at that time. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets. These lives range from 3 to 7 years for equipment and software, 5 years for vehicles, 20 years for land improvements and 31.5 to 50 years for buildings and building improvements.

Impairment: Commons reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized. Commons owns a parcel of land, for which it determined in fiscal year 2011 that the carrying value exceeded the fair value, and as such, an impairment loss of \$200,000 was recorded to reduce its carrying value to zero. See Note 4 for further details.

Deferred financing fees: Fees of \$12,959 paid in connection with notes payable have been capitalized as deferred financing fees and are being amortized using the straight-line method over the term of the notes. Annual amortization expense is \$864. At June 30, 2011, accumulated amortization is \$5,400.

Functional expenses: Operating expenses directly identified with a functional core program are charged to that program and, where these expenses affect more than one program, they are allocated on the basis of ratios estimated by management.

Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: Commons is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Commons may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Commons and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in the financial statements.

Commons files Form 990 in the U.S. federal jurisdiction and the State of Illinois. Commons is generally no longer subject to examination by the Internal Revenue Service for tax years before 2008.

Chicago Commons Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: Commons has evaluated subsequent events for potential recognition and/or disclosure through December 5, 2011, the date the financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2011 consist of \$71,089 held at the Vanguard Group in a bond market index fund.

Investment returns for fiscal year 2011 were as follows:

Interest and dividends	\$ 21,281
Unrealized gain on investments	248
	<u>\$ 21,529</u>

Note 3. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Commons' investments are the only assets measured at fair value on a recurring basis. The fair values of these investments are entirely Level 1 values as defined by the fair value hierarchy.

Certain land held for sale is measured at fair value on a nonrecurring basis and is considered to be Level 3. Commons has been attempting to sell this land since 2009. A depressed and inactive real estate market in this area of Chicago caused management to conservatively reflect this property as fully reserved. See Note 4 for further details. Its carrying value at the beginning of the year of \$200,000 was reduced by an impairment charge to \$0 as of June 30, 2011.

Chicago Commons Association

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment at June 30, 2011 consists of:

Land and land improvements	\$ 191,381
Buildings and building improvements	2,849,651
Machinery and equipment	45,948
Vehicles	226,886
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	3,313,866
Accumulated depreciation	(970,209)
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	<u>\$ 2,343,657</u>

Commons' land and buildings consist of various properties located throughout Chicago, Illinois. Depreciation expense totaled \$130,494 for fiscal year 2011.

The land and building accounts include the Nia Family Center (NFC), which IFF contributed in 2005 to Commons. IFF's contribution requires Commons to maintain NFC as a child care facility through fiscal year 2016. As of June 30, 2011, the gross cost and related accumulated depreciation of the contributed building are approximately \$1,600,000 and \$330,000, respectively.

In addition to property and equipment described above, Commons also owns land on which the New City Family Center, a facility previously used by Commons, was built. This facility was closed during fiscal year 2007 and demolished in fiscal year 2009. The demolition costs were financed with a loan from IFF. Since the demolition of the facility, Commons has been attempting to sell the land on which the facility stood. Commons has reduced the carrying value of the land from time to time through impairment charges. During fiscal year 2011, Commons performed an impairment assessment and recorded an impairment charge which conservatively reduced the carrying value of the land from \$200,000 at the beginning of the year to \$0 as of June 30, 2011.

The aforementioned land related to the former facility is subject to a restrictive covenant per a grant agreement dated September 19, 2003 with the city of Chicago under its Chicago Children's Capital Fund grant program. The proceeds from any sale are subject to the recapture provisions in the grant agreement, after related financing is paid off (Note 7). Commons' management is in the process of negotiating a release of the restrictive covenant with the city of Chicago based on the unforeseen circumstances surrounding the facility.

Note 5. Accrued Expenses

Accrued expenses at June 30, 2011 consist of:

Salaries and related expenses	\$ 689,212
Professional fees	70,950
Other	11,021
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	<u>\$ 771,183</u>

Chicago Commons Association

Notes to Financial Statements

Note 6. Line of Credit

Commons has a line of credit agreement which expires on January 25, 2012 with a commercial bank, which provides for maximum borrowings of \$1,500,000 with an interest rate equal to 3.50% above the LIBOR Advantage Rate. Any borrowings are collateralized by bank deposits and a security interest in Commons' accounts receivable. The agreement requires Commons' compliance with various covenants, including a minimum debt service coverage ratio. There are no outstanding borrowings at June 30, 2011.

Commons intends to use the line of credit to offset cash flow variances in its receivables from government contracts and grants.

Note 7. Notes Payable

Commons' notes payable at June 30, 2011 consist of the following:

Note payable to IFF, dated September 2003, for \$250,000 to fund the expansion, renovation, and operation of a Head Start child care center at the New City Family Center. The note is payable in monthly installments of \$1,977 including a fixed interest rate of 5.0% through March 2020. The note is secured by a mortgage security agreement and fixture filing in connection with the New City Family Center.	\$ 175,408
Note payable to IFF, dated August 2005, for \$319,699 to be used to complete certain renovation work. The note is payable in monthly installments of \$2,470 including a fixed interest rate of 5.5% through 2010, at which time the interest rate became variable based on the U.S. Treasury obligation rate plus 100 basis points until maturity in June 2020. The loan is secured by a mortgage on the NIA Family Center.	230,422
Note payable to Bank of America, dated May 2007, for \$145,202 in connection with the sale of one of Commons' former facilities (known as the Settlement House). The note requires quarterly installments of \$3,630 plus accrued interest on the outstanding principal and a final balloon payment of \$58,082 in May 2014. Interest is fixed at 9.0% and there are no pre-payment penalties.	98,012
Note payable to IFF, dated March 2009, for \$139,800 to fund the demolition of the New City Family Center. The note is secured by an amendment to the original mortgage security agreement noted previously. The note is payable in monthly installments of \$1,535 including a fixed interest rate of 5.75% through 2014, at which time the interest rate becomes variable based on the U.S. Treasury obligation rate plus 175 basis points until maturity in October 2019.	121,695
Note payable to IFF, dated November 2009, for \$750,000 to provide working capital for operations. The note is payable in monthly installments of \$6,278 including a fixed interest rate of 5.875% through 2014, at which time the interest rate becomes variable based on the U.S. Treasury obligation rate plus 175 basis points with a 5.50% floor, until maturity in June 2024. The loan is secured by a second mortgage on the Nia Family Center.	698,132
	<u>\$ 1,323,669</u>

Chicago Commons Association

Notes to Financial Statements

Note 7. Notes Payable (Continued)

Future payments due on the notes at June 30, 2011 are as follows:

2012	\$ 96,845
2013	101,334
2014	160,527
2015	96,557
2016	101,836
Thereafter	766,570
	<u>\$ 1,323,669</u>

Note 8. Retirement Plan Benefits

Commons has a savings and retirement plan for employees who are 21 years of age and are United States citizens. An employee (other than an excluded employee) becomes a participant in the elective deferral portion of the plan on the first day of employment with Commons. To become a participant in the nonelective contribution portion (matching contributions) an employee must have attained 21 years of age. Commons may contribute a discretionary matching contribution of 50 percent of a participant's elective deferral limited to 3 percent of a participant's compensation per payroll period. Participants are immediately vested in their payroll deferral contributions. Vesting in Commons' contribution portion is based on years of continuous service. A participant is 100 percent vested after three years of eligible service. Employer contributions to the plan were \$57,675 for 2011.

Note 9. Pension Plans

Commons participated in the revised retirement plan for employees of United Way/Crusade of Mercy, Inc. and participating agencies. The Plan provided benefits for employees upon retirement, death, and severance from employment. Benefits were based on years of service and compensation. On February 27, 2006, Commons filed an application with the Pension Benefit Guaranty Corporation (PBGC) requesting that the Plan be terminated under Section 4041(c) of the Employee Retirement Income Security Act of 1974, as amended. In 2009, Commons received notification from the PBGC that the termination application was accepted effective May 2, 2006. Subsequently, Commons released to the PBGC its related pension assets and liabilities, and responsibility for benefit payments to plan participants and entered into a settlement agreement to satisfy the unfunded liabilities in the plan. As part of the settlement agreement, Commons agreed to pay the PBGC \$120,000 in 12 annual payments of \$10,000 each. The value of the remaining payments totaled \$100,000 at June 30, 2011 and is included in accrued settlement and retirement liabilities in the statement of financial position.

Chicago Commons Association

Notes to Financial Statements

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for current and long-term purposes as follows at June 30, 2011:

Child development	\$ 95,000
Youth services	47,681
Other	57,382
	<u>200,063</u>
Restricted to Commons' buildings	1,376,972
	<u>\$ 1,577,035</u>

Amount restricted to Commons' buildings in 2011 represents the Nia Family Center Facility, contributed by IFF.

The restriction on the contribution requires Commons to maintain the Center as a child care facility or to provide community services within the authority and mandate of the Illinois Department of Human Services through May 2016. The net assets will be released from restrictions in amounts equivalent to depreciation expense recorded on the facility through 2016, and then in an amount equivalent to the remaining net book value of the facility. Depreciation expense for 2011 on the Nia Family Center, which amount is also included in net assets released from restriction, was \$50,672.

In previous years, the amount restricted to Commons' buildings also included the cash contribution restricted to the New City Family Center. This cash was released from restrictions in annual installments of \$21,049 over a scheduled 15-year period. As described in Note 4, the carrying value of land where the New City Family Center was built and subsequently demolished, was reduced to zero as of June 30, 2011. As a result, Commons, incurred an impairment charge of \$193,443 during fiscal year 2011 which reduced temporary restricted net assets.

Note 11. Leases

Commons is obligated under various occupancy leases expiring through fiscal year 2015. Annual future minimum rental payments related to these leases at June 30, 2011 are approximately as follows:

2012	\$ 499,000
2013	309,000
2014	241,000
2015	161,000
	<u>\$ 1,210,000</u>

Total lease payments under operating leases in fiscal year 2011 were \$660,730.

Note 12. Supporting Agencies

Commons received approximately 95 percent of revenue in the form of fees and grants from governmental agencies. This support is subject to review and final determination by the granting agencies. Commons does not anticipate any significant adjustment upon final review and determination.