

Chicago Commons Association

Financial Report

June 30, 2009

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McGladrey & Pullen

Certified Public Accountants

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, 2009, and the related statements of activities, functional expenses and directly related revenue, 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' 2008 financial statements and, in our report dated February 2, 2009, 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 2009 financial statements referred to above present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2009, 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
February 5, 2010

Chicago Commons Association

Statement of Financial Position

June 30, 2009 (With Comparative Totals for 2008)

	2009	2008
Assets		
Cash and cash equivalents	\$ 33,751	\$ 342,349
Restricted cash	52,255	52,108
Accounts receivable, net	4,525,007	2,165,164
Prepaid expenses and deposits	46,658	30,636
Contributions receivable, net	114,862	125,000
Investments	62,787	59,159
Property held for sale	412,700	412,700
Property and equipment, net	2,469,741	2,575,221
Deferred financing fees	9,287	10,151
	<u>\$ 7,727,048</u>	<u>\$ 5,772,488</u>
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ 475,000	\$ -
Accounts payable	928,822	589,320
Accrued expenses	725,798	795,309
Advances from government agencies and deferred revenue	2,750	120,364
Notes payable	739,073	631,382
Accrued settlement and retirement obligations	156,099	2,067,307
	<u>3,027,542</u>	<u>4,203,682</u>
Net Assets (Deficit)		
Unrestricted	2,697,587	(587,699)
Temporarily restricted	1,924,919	2,079,505
Permanently restricted	77,000	77,000
	<u>4,699,506</u>	<u>1,568,806</u>
	<u>\$ 7,727,048</u>	<u>\$ 5,772,488</u>

Chicago Commons Association

Statement of Activities

Year Ended June 30, 2009 (With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Public support and revenue:					
Direct public support:					
Contributions for general operations	\$ 376,358	\$ -	\$ -	\$ 376,358	\$ 431,464
Contributions to support funded operations	-	386,502	-	386,502	493,892
Special events, net of expenses of \$76,654 in 2009 and \$83,021 in 2008	116,842	-	-	116,842	82,629
Indirect public support:					
Allocations by United Way	528,500	-	-	528,500	528,332
Net assets released from restrictions	541,088	(541,088)	-	-	-
	<u>1,562,788</u>	<u>(154,586)</u>	<u>-</u>	<u>1,408,202</u>	<u>1,536,317</u>
Fees and grants from governmental agencies	17,881,430	-	-	17,881,430	14,219,525
Client fees and other support	457,913	-	-	457,913	373,218
Investment income	11,705	-	-	11,705	15,713
Miscellaneous	24,912	-	-	24,912	103,111
	<u>19,938,748</u>	<u>(154,586)</u>	<u>-</u>	<u>19,784,162</u>	<u>16,247,884</u>
Expenses:					
Program services:					
Child development	8,199,093	-	-	8,199,093	7,373,642
Senior services	7,412,118	-	-	7,412,118	6,007,974
Youth services	606,751	-	-	606,751	658,171
Adult education	493,501	-	-	493,501	445,312
Community services	198,796	-	-	198,796	62,009
	<u>16,910,259</u>	<u>-</u>	<u>-</u>	<u>16,910,259</u>	<u>14,547,108</u>
Supporting services:					
Management and general	1,484,535	-	-	1,484,535	1,299,128
Fundraising	247,155	-	-	247,155	228,513
	<u>1,731,690</u>	<u>-</u>	<u>-</u>	<u>1,731,690</u>	<u>1,527,641</u>
Operating expenses	<u>18,641,949</u>	<u>-</u>	<u>-</u>	<u>18,641,949</u>	<u>16,074,749</u>
Increase (decrease) in net assets before other changes	<u>1,296,799</u>	<u>(154,586)</u>	<u>-</u>	<u>1,142,213</u>	<u>173,135</u>
Other changes in net assets:					
Net investment gains (losses)	(20,692)	-	-	(20,692)	1,160
Gain on settlement of defined benefit plan liability	1,993,267	-	-	1,993,267	-
Other changes in pension liability	15,912	-	-	15,912	(77,025)
Impairment loss	-	-	-	-	(139,800)
	<u>1,988,487</u>	<u>-</u>	<u>-</u>	<u>1,988,487</u>	<u>(215,665)</u>
Increase (decrease) in net assets	<u>3,285,286</u>	<u>(154,586)</u>	<u>-</u>	<u>3,130,700</u>	<u>(42,530)</u>
Net assets (deficit):					
Beginning of year	<u>(587,699)</u>	<u>2,079,505</u>	<u>77,000</u>	<u>1,568,806</u>	<u>1,611,336</u>
End of year	<u>\$ 2,697,587</u>	<u>\$ 1,924,919</u>	<u>\$ 77,000</u>	<u>\$ 4,699,506</u>	<u>\$ 1,568,806</u>

Chicago Commons Association

**Statement of Functional Expenses and Directly Related Revenue
Year Ended June 30, 2009 (With Comparative Totals for 2008)**

	Program Services					Total Program Services
	Child Development	Senior Services	Youth Services	Adult Education	Community Services	
Functional expenses:						
Salary and wages	\$ 4,178,225	\$ 5,609,865	\$ 360,723	\$ 289,501	\$ 120,732	\$ 10,559,046
Payroll taxes and employee benefits	788,914	722,287	74,509	62,211	17,275	1,665,196
	<u>4,967,139</u>	<u>6,332,152</u>	<u>435,232</u>	<u>351,712</u>	<u>138,007</u>	<u>12,224,242</u>
Professional development, travel, and conferences	175,552	19,481	5,324	6,053	611	207,021
Supplies	851,364	90,377	23,720	10,586	470	976,517
Operating expenses	800,299	703,549	57,480	9,099	59,708	1,630,135
Professional services	139,384	15,390	6,743	29,452	-	190,969
Building, utilities, and insurance	1,183,162	172,768	57,205	76,199	-	1,489,334
Equipment maintenance, rentals, and repairs	181	47,523	10,067	10,400	-	68,171
Depreciation and amortization	82,012	30,878	-	-	-	112,890
Interest expense	-	-	10,980	-	-	10,980
	<u>\$ 8,199,093</u>	<u>\$ 7,412,118</u>	<u>\$ 606,751</u>	<u>\$ 493,501</u>	<u>\$ 198,796</u>	<u>\$ 16,910,259</u>
Directly related revenue:						
Indirect public support	\$ 287,996	\$ 76,500	\$ 60,000	\$ 104,004	\$ -	\$ 528,500
Fees and grants from governmental agencies	8,781,489	8,339,028	382,959	340,668	37,286	17,881,430
Client fees and other support	387,073	70,840	-	-	-	457,913
	<u>\$ 9,456,558</u>	<u>\$ 8,486,368</u>	<u>\$ 442,959</u>	<u>\$ 444,672</u>	<u>\$ 37,286</u>	<u>\$ 18,867,843</u>

Chicago Commons Association

Statement of Functional Expenses and Directly Related Revenue (Continued)
 Year Ended June 30, 2009 (With Comparative Totals for 2008)

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2009	2008
Functional expenses:					
Salary and wages	\$ 724,006	\$ 99,517	\$ 823,523	\$ 11,382,569	\$ 10,104,864
Payroll taxes and employee benefits	203,585	17,856	221,441	1,886,637	1,658,713
	<u>927,591</u>	<u>117,373</u>	<u>1,044,964</u>	<u>13,269,206</u>	<u>11,763,577</u>
Professional development, travel, and conferences	21,693	626	22,319	229,340	139,046
Supplies	21,209	792	22,001	998,518	890,868
Operating expenses	37,181	35,451	72,632	1,702,767	826,605
Professional services	301,880	77,628	379,508	570,477	596,628
Building, utilities, and insurance	130,449	15,285	145,734	1,635,068	1,672,642
Equipment maintenance, rentals, and repairs	2,251	-	2,251	70,422	29,737
Depreciation and amortization	1,956	-	1,956	114,846	115,892
Interest expense	40,325	-	40,325	51,305	39,754
	<u>\$ 1,484,535</u>	<u>\$ 247,155</u>	<u>\$ 1,731,690</u>	<u>\$ 18,641,949</u>	<u>\$ 16,074,749</u>
Directly related revenue:					
Indirect public support				\$ 528,500	\$ 528,332
Fees and grants from governmental agencies				17,881,430	14,219,525
Client fees and other support				457,913	373,218
				<u>\$ 18,867,843</u>	<u>\$ 15,121,075</u>

Chicago Commons Association

Statement of Cash Flows

Year Ended June 30, 2009 (With Comparative Totals for 2008)

	2009	2008
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 3,130,700	\$ (42,530)
Depreciation and amortization	114,846	115,892
Net (gain) loss on investments	20,692	(1,160)
Gain on settlement of defined benefit plan liability	(1,993,267)	-
Impairment loss	-	139,800
Noncash contributions - investments	(7,996)	(34,851)
Contribution of equipment	-	(52,871)
Changes in:		
Accounts receivable	(2,359,843)	19,576
Prepaid expenses and deposits	(16,022)	(1,240)
Contributions receivable	10,138	(82,375)
Accounts payable and accrued expenses	269,991	121,784
Advances and deferred revenue	(117,614)	88,658
Accrued retirement obligations	(37,941)	56,137
Net cash provided by (used in) operating activities	<u>(986,316)</u>	<u>326,820</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(8,502)	-
Purchases of investments	(24,320)	(2,829)
Sales of investments	7,996	38,034
Change in cash restricted for escrow	(147)	(1,547)
Net cash provided by (used in) investing activities	<u>(24,973)</u>	<u>33,658</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	475,000	-
Proceeds from notes payable	139,800	-
Payments of notes payable	(32,109)	(32,991)
Accrued settlement obligation	120,000	-
Net cash provided by (used in) financing activities	<u>702,691</u>	<u>(32,991)</u>
Increase (decrease) in cash and cash equivalents	(308,598)	327,487
Cash and cash equivalents:		
Beginning of year	<u>342,349</u>	<u>14,862</u>
End of year	<u>\$ 33,751</u>	<u>\$ 342,349</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 54,030</u>	<u>\$ 36,059</u>

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 four core programs – Child Development, Senior Services, Adult Education, and Youth 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. During fiscal 2009, management recognized cash flow issues mainly attributable to the State of Illinois delaying government contract reimbursements on a timely basis. Commons has obtained financing from IFF, consisting of a working capital loan subsequent to year-end (Note 7).

Commons is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and did not have any significant income that is subject to unrelated business income taxes.

A summary of significant accounting policies is summarized below:

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.

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.

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, 2009, 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, 2009 has been provided based upon management's analysis of various factors including prior collection history, type of contribution, and nature of fundraising activity.

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

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. As of June 30, 2009, Commons recorded in kind contribution revenue of \$42,598 with a corresponding expense in the statement of functional expenses. The contributions related to consulting expenses for the contribution appeals for the fiscal year ended June 30, 2009.

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 and deferred revenue.

Cash equivalents: Cash equivalents include amounts held in money market accounts and certificates of deposit with 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.

Restricted cash: Amounts placed in escrow in a prior fiscal year in connection with a sale agreement for one of Commons' former properties. The agreement required \$50,000 of the sale proceeds to be placed in escrow pending resolution of any lease termination agreements between the building's new owner and a tenant in the building, whose lease term expires in October 2010. The funds are escrowed at Bank of America and any unused funds will revert to Bank of America, including accumulated interest income. On its statement of financial position, Commons has recorded the funds as restricted cash with a corresponding obligation in accrued expenses.

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 records an allowance for doubtful accounts (\$8,811 at June 30, 2009) based on specific identification of uncollectible accounts and historical collection experience.

Valuation of investments: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Changes in fair value are recorded as unrealized gains (losses). Investments received as contributions are recorded at fair value at the date of receipt.

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.

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

Property held for sale: In accordance with the Financial Accounting Standards Board's Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASB 144), property and equipment to be sold is classified as held for sale, and separately shown on the statement of financial of position, in the period in which certain criteria regarding marketing and selling activity are met.

Property and equipment classified as held for sale are reported at the lower of their carrying amount or fair value, less cost to sell. Fair value is determined based on quoted market prices in an active market. If market prices are unavailable, an estimate of fair value must be made. Costs to sell include broker commissions, legal fees, title transfer fees, and closing costs that must be incurred before legal title can be transferred. Closing costs generally include costs of preparing the property for sale.

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. Commons records an impairment loss, and reduces the cost basis of the asset, when it determines that its carrying amount exceeds its fair value. The impairment loss is equivalent to the excess of carrying amount over fair value. There were no impairment losses recorded in 2009.

Deferred financing fees: Fees 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. Amortization expense was \$864 at June 30, 2009.

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.

Reclassifications: Certain 2008 balances have been reclassified to conform to the current year's presentation without any effect on previously reported net assets or changes in net assets.

Subsequent events: Commons has evaluated subsequent events for potential recognition and/or disclosures through February 5, 2010, the date the financial statements were issued.

New accounting pronouncements: Commons adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157) for the fiscal year beginning July 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. The adoption of SFAS 157 did not have a material impact on the financial statements of Commons. In accordance with Financial Accounting Standards Board (FASB) Staff Position (FSP) No. 157-2, *Effective Date of FASB Statement No. 157*, Commons will delay application of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis until the fiscal year beginning July 1, 2009. The adoption of the remaining provisions of SFAS 157 is not expected to have a material impact on Commons' financial statements.

Commons does not have significant donor-restricted endowments or any board-designated endowment funds and therefore the adoption of FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*, did not have a significant effect on Commons' financial statements.

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

Recent accounting pronouncements: The FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. Commons has elected to defer the application of FIN 48 in accordance with FSP FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic organizations, such as Commons, included within its scope, to the annual financial statements for fiscal years beginning after December 15, 2008. Commons will be required to adopt FIN 48 in its fiscal 2010 annual financial statements. Management is currently assessing the impact of FIN 48 and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

Note 2. Investments

Effective July 1, 2008, Commons adopted SFAS 157, which defines fair value, establishes a framework for measuring fair value, sets out a fair value hierarchy and expands disclosures about fair value measurements. SFAS 157 defines fair value 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. 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 SFAS 157 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1. Unadjusted quoted prices for identical assets or liabilities in active markets that Commons has the ability to access at the measurement date. The types of investments included in Level I in active markets include listed equities and listed derivatives.

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 that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Commons' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Investments consist of amounts held at the Vanguard Group in a bond market index fund. The fair value of these investments was \$62,787 at June 30, 2009 and are considered Level 1 as they are measured at fair value on a recurring basis based on quoted prices for identical assets in active markets.

Investment returns for fiscal year 2009 were as follows:

Interest and dividends	\$ 11,705
Net realized and unrealized losses	<u>(20,692)</u>
	<u>\$ (8,987)</u>

In fiscal 2009, Commons made an equity investment of \$21,563 to the Back Office Cooperative, an Illinois non-profit cooperative that seeks to improve the performance of the human services sector by developing shared back-office services and procurement programs. At June 30, 2009, this investment was written down to zero as Commons assigned it having no further value.

Chicago Commons Association

Notes to Financial Statements

Note 3. Property Held for Sale

Property held for sale represents the New City Family Center, a facility which Commons closed during fiscal year 2007 and decided to market for sale as vacant land during fiscal year 2008. Property held for sale is no longer depreciated and is listed on the statement of financial position at its fair value at June 30, 2009 of \$412,700. Fair value is a management estimate based on market data for sales of similar properties in the same geographic area.

The aforementioned property 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 City awarded Commons a \$325,000 grant to develop this site as a child care center. The covenant restricts that the property shall be used solely for the conversion of the existing property into a Head Start and/or a child care facility. Since the facility had to be demolished and is currently being held for sale, the proceeds from any sale are subject to the recapture provisions in the grant agreement, after related financing on the facility 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's demise.

Note 4. Property and Equipment

Property and equipment at June 30, 2009 consisted of:

Land and land improvements	\$ 191,381
Buildings and building improvements	2,820,651
Machinery and equipment	45,952
Vehicles	<u>111,308</u>
	3,169,292
Accumulated depreciation	<u>(714,551)</u>
	2,454,741
Construction in progress	<u>15,000</u>
	<u>\$ 2,469,741</u>

Commons' land and buildings consist of various properties located throughout Chicago, Illinois. Depreciation expense totaled \$113,982 for fiscal year 2009.

The land and building accounts include the Nia Family Center (NFC), which the Illinois Facilities Fund (IFF) contributed in 2005 to Commons. In 1993, Commons was selected to participate in a facility expansion program whereby IFF constructed the NFC for expansion of Commons' child development program and, in 1994, Commons entered into a 10-year lease agreement with IFF which specified that the title to the property would convey at no cost to Commons at the end of the lease term. Commons received the title transfer during fiscal year 2005 and recorded a corresponding increase in nonoperating contribution revenue, and property and equipment, of approximately \$1,716,000 which represents the difference between the estimated fair value of the facility (\$2,570,000) and the net book value of various leasehold improvements Commons had made to the facility throughout the years (\$854,000). IFF's contribution requires Commons to maintain NFC as a child care facility through fiscal year 2016.

Construction in progress represents the cost of renovations to the Guadalupano Family Center related to expansion of the child development program. The project was completed subsequent to year-end with a total cost of approximately \$30,000.

Chicago Commons Association

Notes to Financial Statements

Note 5. Accrued Expenses

Accrued expenses at June 30, 2009 consisted of:

Salaries and related	\$	566,328
Professional fees		62,400
Restricted cash liability		52,255
State unemployment		27,867
Other		16,948
		<u>725,798</u>
	\$	<u>725,798</u>

Note 6. Line of Credit

Commons has a line of credit agreement with ShoreBank N.A. under which Commons can borrow up to \$750,000 for working capital purposes. There was \$475,000 outstanding under the line on June 30, 2009. Interest on borrowings is payable monthly at a rate equal to the bank's prime rate plus 1.0 percent (5.50 percent at June 30, 2009). Borrowings under the line are secured by substantially all of Commons' assets. Commons uses the line of credit to offset cash flow variances in its receivables from government contracts and grants. The line has an expiration date of March 11, 2010.

Note 7. Notes Payable

In September 2003, IFF loaned Commons \$250,000 to fund the expansion, renovation and operation of a Head Start child care center at the New City Family Center. The promissory note is payable in monthly installments of \$1,977 including a fixed interest rate of 5.0 percent through March 2020. The loan is secured by a mortgage security agreement and fixture filing in connection with the New City Family Center. The outstanding note payable at June 30, 2009 was \$203,812.

In March 2009, IFF loaned Commons \$139,800 to fund the demolition of the New City Family Center. The loan is secured by an amendment to the original mortgage security agreement noted previously. The promissory note is payable in monthly installments of \$1,535 including a fixed interest rate of 5.75 percent 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. The outstanding note payable at June 30, 2009 was \$139,800.

In August 2004, IFF agreed to loan Commons \$472,660 to complete renovations at one of Commons' former facilities. In 2005, the note was amended and restated and the principal amount loaned was decreased to \$319,699. The promissory note is payable in monthly installments of \$2,612 including a fixed interest rate of 5.5 percent through 2010, at which time the interest rate becomes 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. The outstanding note payable at June 30, 2009 was \$266,713.

In May 2007, Commons entered into an agreement with Bank of America as part of the sale of one of its former facilities. As part of the agreement, Commons agreed to pay Bank of America \$145,202 in the form of a note. The note allowed for interest-only quarterly payments of \$3,267 for the first year and in subsequent years quarterly installments in fixed amounts of \$3,630 plus accrued interest on the outstanding principal. The note requires a final balloon payment of \$58,082 in May 2014. Interest is fixed at 9.0 percent and there are no pre-payment penalties. The outstanding note payable at June 30, 2009 was \$128,748.

Future payments due on the notes at June 30, 2009 are approximately as follows:

2010	\$	58,100
2011		58,400
2012		60,900
2013		63,400
2014		120,600
Thereafter		<u>377,700</u>
	\$	<u>739,100</u>

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Notes to Financial Statements

Note 7. Notes Payable (Continued)

In October 2009, IFF loaned Commons \$750,000 to provide working capital for Commons' operations. This loan is not included in the previous table of future obligations at June 30, 2009. The promissory note is payable in monthly installments of \$6,278 including a fixed interest rate of 5.875 percent through October 2014, at which time the interest rate becomes variable based on the U.S. Treasury obligation rate plus 175 basis points until maturity in November 2024. The loan is secured by a second mortgage on the Nia Family Center.

Note 8. 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. Effective June 30, 2003, the benefits under the Plan were frozen and therefore the participants no longer accrued benefits but the Plan remained in existence as long as necessary to pay already accrued benefits.

On February 27, 2006, Commons filed an application with the Pension Benefit Guaranty Corporation (PBGC) requesting that the Plan be terminated effective May 2, 2006 under Section 4041(c) of the Employee Retirement Income Security Act of 1974, as amended. In fiscal 2009, Commons received notification from the PBGC that the application was accepted with a termination date effective May 2, 2006. Subsequent to the notification, Commons released its related pension assets and liabilities, and responsibility for benefit payments to plan participants to the PBGC and entered into a settlement agreement to satisfy a portion of the unfunded liabilities in the Plan.

	Balance at June 30, 2008	Effect of Settlement	After Settlement
Projected benefit obligation	\$ (8,384,382)	\$ 8,384,382	\$ -
Fair value of plan assets	<u>6,369,092</u>	<u>(6,369,092)</u>	<u>-</u>
Funded status	<u>\$ (2,015,290)</u>	<u>\$ 2,015,290</u>	<u>\$ -</u>

As a result of the release of the obligation under the Plan, Commons recorded a \$1,993,000 gain on settlement of the defined benefit plan liability as of June 30, 2009 in its statement of activities. As part of the settlement agreement, Commons agreed to pay the PBGC \$120,000 in 12 annual payments of \$10,000 beginning in fiscal 2010, which is included in accrued settlement and retirement obligations in the statement of financial position.

Commons is also obligated under a 2001 supplemental pension plan requiring 120 monthly payments to its former executive director through July 2011. The present value of the remaining payments totaled \$36,099 at June 30, 2009, which is also included in accrued settlement and retirement obligations in the statement of financial position.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for current and long-term purposes as follows at June 30, 2009:

Child development	\$ 20,470
Adult education	21,988
Youth services	78,603
Senior services	24,471
Other	<u>65,530</u>
	211,062
Restricted to Commons' buildings	<u>1,713,857</u>
	<u>\$ 1,924,919</u>

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Notes to Financial Statements

Note 9. Temporarily Restricted Net Assets (Continued)

Included in amounts restricted to Commons' buildings in 2009 is \$1,478,316, which 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 2009 on the Nia Family Center and released from restriction was \$50,672. Other amounts restricted to Commons' buildings are primarily in connection with cash contributions restricted to the New City Family Center.

Note 10. 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, 2009 are approximately as follows:

2010	\$	608,000
2011		528,000
2012		441,000
2013		312,000
2014		312,000
Thereafter		<u>208,000</u>
	\$	<u>2,409,000</u>

Total lease payments under operating leases in fiscal year 2009 was \$615,562.

Note 11. Related-Party Transactions

Commons may purchase or receive goods or services from companies that are affiliated with or owned directly or indirectly by members of its Board of Directors. During the year ended June 30, 2009, Commons separately paid \$187,749 for workers' compensation insurance and \$42,542 in natural gas utilities to entities at which members of the Board of Directors are employed, and received \$42,598 of in-kind consulting services from an entity at which a member of the Board of Directors is employed.

Note 12. Contingencies

Commons is occasionally party to lawsuits and claims which have arisen in the ordinary course of its operations. Commons is of the opinion that associated liabilities, if any, will not have a material effect on Commons' financial statements.