

Chicago Commons Association

Financial Report
June 30, 2010

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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, 2010, 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' 2009 financial statements and, in our report dated February 5, 2010, 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 2010 financial statements referred to above present fairly, in all material respects, the financial position of Chicago Commons Association as of June 30, 2010, 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
March 25, 2011

Chicago Commons Association

**Statement of Financial Position
June 30, 2010 (With Comparative Totals For 2009)**

	2010	2009
Assets		
Cash and cash equivalents	\$ 928,240	\$ 33,751
Restricted cash	52,131	52,255
Accounts receivable, net	4,252,650	4,525,007
Prepaid expenses and deposits	35,104	46,658
Contributions receivable, net	52,500	114,862
Investments	68,614	62,787
Property and equipment, net	2,474,151	2,469,741
Deferred financing fees	8,423	9,287
Other assets	200,000	412,700
	<u>\$ 8,071,813</u>	<u>\$ 7,727,048</u>
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ -	\$ 475,000
Accounts payable	863,589	928,822
Accrued expenses	733,514	727,767
Advances from government agencies	29,000	2,750
Notes payable	1,416,354	737,104
Accrued settlement and retirement obligations	129,206	156,099
	<u>3,171,663</u>	<u>3,027,542</u>
Net Assets		
Unrestricted	3,091,394	2,697,587
Temporarily restricted	1,731,756	1,924,919
Permanently restricted	77,000	77,000
	<u>4,900,150</u>	<u>4,699,506</u>
	<u>\$ 8,071,813</u>	<u>\$ 7,727,048</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Activities Year Ended June 30, 2010 (With Comparative Totals For 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Public support and revenue:					
Direct public support:					
Contributions for general operations	\$ 430,425	\$ -	\$ -	\$ 430,425	\$ 376,358
Contributions to support funded operations	-	167,645	-	167,645	386,502
Special events, net of expenses of \$87,437 in 2010 and \$76,654 in 2009	144,530	-	-	144,530	116,842
Indirect public support:					
Allocations by United Way	255,578	-	-	255,578	528,500
Net assets released from restrictions	360,808	(360,808)	-	-	-
	1,191,341	(193,163)	-	998,178	1,408,202
Fees and grants from governmental agencies	20,066,450	-	-	20,066,450	17,881,430
Client fees and other support	401,646	-	-	401,646	457,913
Investment income	8,862	-	-	8,862	11,705
Miscellaneous	53,217	-	-	53,217	24,912
	21,721,516	(193,163)	-	21,528,353	19,784,162
Expenses:					
Program services:					
Child development	9,996,303	-	-	9,996,303	8,199,093
Senior services	7,857,820	-	-	7,857,820	7,412,118
Youth services	664,427	-	-	664,427	606,751
Adult education	724,896	-	-	724,896	493,501
Community services	135,765	-	-	135,765	198,796
	19,379,211	-	-	19,379,211	16,910,259
Supporting services:					
Management and general	1,504,145	-	-	1,504,145	1,484,535
Fundraising	235,044	-	-	235,044	247,155
	1,739,189	-	-	1,739,189	1,731,690
Operating expenses	21,118,400	-	-	21,118,400	18,641,949
Increase (decrease) in net assets before other changes	603,116	(193,163)	-	409,953	1,142,213
Other changes in net assets:					
Net investment gains (losses)	3,391	-	-	3,391	(20,692)
Gain on settlement of defined benefit plan liability	-	-	-	-	1,993,267
Other changes in pension liability	-	-	-	-	15,912
Impairment loss	(212,700)	-	-	(212,700)	-
	(209,309)	-	-	(209,309)	1,988,487
Increase (decrease) in net assets	393,807	(193,163)	-	200,644	3,130,700
Net assets:					
Beginning of year	2,697,587	1,924,919	77,000	4,699,506	1,568,806
End of year	\$ 3,091,394	\$ 1,731,756	\$ 77,000	\$ 4,900,150	\$ 4,699,506

See Notes to Financial Statements.

Chicago Commons Association

**Statement of Functional Expenses and Directly Related Revenue
Year Ended June 30, 2010 (With Comparative Totals For 2009)**

	Program Services					Total Program Services
	Child Development	Senior Services	Youth Services	Adult Education	Community Services	
Functional expenses:						
Salary and wages	\$ 4,663,010	\$ 5,939,797	\$ 373,119	\$ 275,446	\$ 78,722	\$ 11,330,094
Payroll taxes and employee benefits	904,701	752,905	71,738	61,608	10,205	1,801,157
	<u>5,567,711</u>	<u>6,692,702</u>	<u>444,857</u>	<u>337,054</u>	<u>88,927</u>	<u>13,131,251</u>
Professional development, travel, and conferences	138,813	15,644	13,510	1,394	1,239	170,600
Supplies	869,047	45,967	43,886	17,157	2,074	978,131
Operating expenses	1,784,225	803,165	77,370	34,099	38,074	2,736,933
Professional services	217,138	17,102	7,275	88,649	5,408	335,572
Building, utilities, and insurance	1,336,445	197,776	61,547	244,175	43	1,839,986
Equipment maintenance, rentals, and repairs	603	43,165	-	2,368	-	46,136
Depreciation and amortization	82,321	42,299	864	-	-	125,484
Interest expense	-	-	15,118	-	-	15,118
	<u>\$ 9,996,303</u>	<u>\$ 7,857,820</u>	<u>\$ 664,427</u>	<u>\$ 724,896</u>	<u>\$ 135,765</u>	<u>\$ 19,379,211</u>
Directly related revenue:						
Indirect public support	\$ 173,394	\$ 46,058	\$ 36,126	\$ -	\$ -	\$ 255,578
Fees and grants from governmental agencies	10,206,930	8,779,900	502,696	563,211	13,713	20,066,450
Client fees and other support	333,788	67,841	-	17	-	401,646
	<u>\$ 10,714,112</u>	<u>\$ 8,893,799</u>	<u>\$ 538,822</u>	<u>\$ 563,228</u>	<u>\$ 13,713</u>	<u>\$ 20,723,674</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Functional Expenses and Directly Related Revenue (Continued)
Year Ended June 30, 2010 (With Comparative Totals For 2009)

	Supporting Services			Total	
	Management and General	Fundraising	Total Supporting Services	2010	2009
Functional expenses:					
Salary and wages	\$ 803,918	\$ 108,528	\$ 912,446	\$ 12,242,540	\$ 11,382,569
Payroll taxes and employee benefits	153,672	17,781	171,453	1,972,610	1,886,637
	<u>957,590</u>	<u>126,309</u>	<u>1,083,899</u>	<u>14,215,150</u>	<u>13,269,206</u>
Professional development, travel, and conferences	10,684	2,078	12,762	183,362	229,340
Supplies	14,466	794	15,260	993,391	998,518
Operating expenses	24,403	32,673	57,076	2,794,009	1,702,767
Professional services	266,216	56,835	323,051	658,623	570,477
Building, utilities, and insurance	86,911	16,355	103,266	1,943,252	1,635,068
Equipment maintenance, rentals, and repairs	72,446	-	72,446	118,582	70,422
Depreciation and amortization	546	-	546	126,030	114,846
Interest expense	70,883	-	70,883	86,001	51,305
	<u>\$ 1,504,145</u>	<u>\$ 235,044</u>	<u>\$ 1,739,189</u>	<u>\$ 21,118,400</u>	<u>\$ 18,641,949</u>
Directly related revenue:					
Indirect public support	\$ -	\$ -	\$ -	\$ 255,578	\$ 528,500
Fees and grants from governmental agencies	-	-	-	20,066,450	17,881,430
Client fees and other support	-	-	-	401,646	457,913
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,723,674</u>	<u>\$ 18,867,843</u>

See Notes to Financial Statements.

Chicago Commons Association

Statement of Cash Flows

Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010	2009
Cash Flows from Operating Activities		
Increase in net assets	\$ 200,644	\$ 3,130,700
Impairment loss	212,700	-
In-kind contributions - vehicles	(115,578)	-
Depreciation and amortization	126,030	114,846
Net (gain) loss on investments	(3,391)	20,692
Gain on settlement of defined benefit plan liability	-	(1,993,267)
Noncash contributions - investments	-	(7,996)
Changes in:		
Accounts receivable	272,357	(2,359,843)
Prepaid expenses and deposits	11,554	(16,022)
Contributions receivable	62,362	10,138
Accounts payable and accrued expenses	(59,486)	269,991
Advances from government agencies	26,250	(117,614)
Accrued retirement obligations	(16,893)	82,059
Net cash provided by (used in) operating activities	716,549	(866,316)
Cash Flows from Investing Activities		
Purchases of property and equipment	(13,998)	(8,502)
Purchases of investments	(2,436)	(24,320)
Sales of investments	-	7,996
Change in restricted cash	124	(147)
Net cash used in investing activities	(16,310)	(24,973)
Cash Flows from Financing Activities		
(Repayment of) proceeds from line of credit	(475,000)	475,000
Proceeds from notes payable	750,000	139,800
Payments of notes payable	(70,750)	(32,109)
Repayments of settlement obligation	(10,000)	-
Net cash provided by financing activities	194,250	582,691
Increase (decrease) in cash and cash equivalents	894,489	(308,598)
Cash and cash equivalents:		
Beginning of year	33,751	342,349
End of year	\$ 928,240	\$ 33,751
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 83,472	\$ 54,030

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, 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.

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 operation, and cash flows. References to generally accepted accounting principles (GAAP) in these footnotes are to the *FASB Accounting Standards Codification*[™], 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, 2010, 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, 2010 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. As of June 30, 2010, Commons recorded in-kind contribution revenue of \$50,000 with a corresponding expense for consulting services. Commons also recorded in-kind contribution revenue of \$115,578 for donated vehicles which were capitalized and included in property and equipment on the statement of financial position.

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 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.

Restricted cash: Commons has 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. 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.

Chicago Commons Association

Notes to Financial Statements

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

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, 2010 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).

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.

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.

Deferred financing fees: Fees of \$12,959 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, 2010, accumulated amortization is \$3,671.

Other assets: Other assets are comprised of land owned by Commons that is no longer in use. Commons periodically performs an assessment of impairment and records an impairment loss when it determines that the carrying value of the land exceeds its fair value. Fair value is measured based on market data for sales of similar property in the same geographic area.

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 2009 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.

Chicago Commons Association

Notes to Financial Statements

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

Income taxes: Commons is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

On July 1, 2009, Commons adopted the accounting standard on accounting for uncertainty in income taxes, which 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 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. 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. At June 30, 2010, there were no unrecognized tax benefits identified or recorded as liabilities. Commons files forms 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 2007.

Note 2. Investments

Investments at June 30, 2010 consist of \$68,614 held at the Vanguard Group in a bond market index fund.

Investment returns for fiscal year 2010 were as follows:

Interest and dividends	\$ 8,862
Net realized and unrealized losses	<u>3,391</u>
	<u>\$ 12,253</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.

Chicago Commons Association

Notes to Financial Statements

Note 3. Fair Value (Continued)

Other assets recorded on the statement of financial position represent land that formerly was used for a Commons facility and is no longer in use. This asset is measured at fair value on a nonrecurring basis based on sales of similar properties in the same geographic area and is classified as a Level 3 asset based on the fair value hierarchy. In fiscal year 2010, an impairment loss of \$212,700 was recorded to adjust the carrying value of the asset from \$412,700 at June 30, 2009 to \$200,000 at June 30, 2010, based on the impairment assessment performed by Commons.

Note 4. Property and Equipment

Property and equipment at June 30, 2010 consists of:

Land and land improvements	\$ 191,381
Buildings and building improvements	2,849,651
Machinery and equipment	45,950
Vehicles	226,886
	<u>3,313,868</u>
Accumulated depreciation	(839,717)
	<u>\$ 2,474,151</u>

Commons' land and buildings consist of various properties located throughout Chicago, Illinois. Depreciation expense totaled \$125,166 for fiscal year 2010.

The land and building accounts include the Nia Family Center (NFC), which IFF (formerly the Illinois Facilities Fund) 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.

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. In fiscal year 2010, Commons determined that the carrying value of this land exceeded its fair value and as such, an impairment loss of \$212,700 was recorded to reduce its carrying value to \$200,000. The fair value of this land is presented as other assets on the statement of financial position.

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 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 child care facility. Since the facility had to be demolished and the land on which it stood is currently being held for sale, 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.

Chicago Commons Association

Notes to Financial Statements

Note 5. Accrued Expenses

Accrued expenses at June 30, 2010 consist of:

Salaries and related	\$	549,944
Professional fees		68,700
Restricted cash liability		52,131
State unemployment		51,125
Other		11,614
	\$	<u>733,514</u>

Note 6. Line of Credit

Commons has a line of credit agreement with a commercial bank, which provides for maximum borrowings of \$750,000 at the bank's prime rate, plus one percent, with a 6.25 percent floor. There are no outstanding borrowings at June 30, 2010.

On January 25, 2011, Commons entered into a new line of credit agreement (expiring 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.

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, 2010 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.

	\$	189,964
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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 \$2,612 including a fixed interest rate of 5.5% 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.

		249,609
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Chicago Commons Association

Notes to Financial Statements

Note 7. Notes Payable (Continued)

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. \$ 112,532

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. 132,765

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. 731,484

\$ 1,416,354

Future payments due on the notes at June 30, 2010 are as follows:

2011	\$ 94,553
2012	96,839
2013	101,329
2014	160,520
2015	96,550
Thereafter	866,563
	<u>\$ 1,416,354</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% 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 \$56,408 for 2010.

Chicago Commons Association

Notes to Financial Statements

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 \$110,000 at June 30, 2010 and is included in accrued settlement and retirement liabilities 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 \$19,206 at June 30, 2010, which is also included in accrued settlement and retirement obligations in the statement of financial position.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for current and long-term purposes as follows at June 30, 2010:

Child development	\$ 55,222
Youth services	21,821
Other	11,851
	<u>88,894</u>
Restricted to Commons' buildings	1,642,862
	<u>\$ 1,731,756</u>

Included in amounts restricted to Commons' buildings in 2010 is \$1,427,644, 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 2010 on the Nia Family Center, which amount is also included in net assets 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.

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Notes to Financial Statements

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, 2010 are approximately as follows:

2011	\$ 604,000
2012	494,000
2013	309,000
2014	241,000
2015	161,000
	<u>\$ 1,809,000</u>

Total lease payments under operating leases in fiscal year 2010 were \$686,558.

Note 12. 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, 2010, Commons paid \$191,370 for workers' compensation insurance and \$39,127 for natural gas utilities to entities with which members of the Board of Directors were employed.

Note 13. 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.

Note 14. Subsequent Events

Subsequent to June 30, 2010, Shorebank, the financial institution at which Commons' cash is held, was closed by the Illinois Department of Financial & Professional Regulation and the Federal Deposit Insurance Corporation (FDIC) was named receiver. Commons' deposit accounts and line of credit were transferred to Urban Partnership Bank on August 20, 2010. Commons did not incur any loss of funds as a result of the closing and transfer.

Effective in July 2010, Commons is a party to a master services agreement with an initial term through 2016. The agreement provides for financial and accounting services, and 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.

Commons has evaluated subsequent events for potential recognition and/or disclosures through March 25, 2011, the date the financial statements were available to be issued.