

**CHILDREN'S PLACE ASSOCIATION
AND ITS AFFILIATED ORGANIZATIONS**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Place Association
and its Affiliated Organizations
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Children's Place Association and its Affiliated Organizations (collectively, the Association), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses and directly related program services revenue for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors
Children's Place Association
and its Affiliated Organizations

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
February 22, 2018

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

| ASSETS | 2017 | 2016 |
|---|--------------|--------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 626,619 | \$ 441,404 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts of \$25,000 and \$37,200 at June 30, 2017 and 2016, Respectively | 638,361 | 619,249 |
| Pledges Receivable, Net | 110,000 | 146,754 |
| Interest Receivable | 1,264 | 1,188 |
| Investments | 1,276,054 | 1,124,225 |
| Prepaid Expenses | 75,961 | 84,907 |
| Construction Escrow | 271,511 | 250,000 |
| Deposits | 49,954 | 49,954 |
| Total Current Assets | 3,049,724 | 2,717,681 |
| PROPERTY AND EQUIPMENT | | |
| Land | 271,110 | 271,110 |
| Buildings and Improvements | 8,004,596 | 8,003,651 |
| Furniture and Fixtures | 290,237 | 290,237 |
| Equipment | 513,196 | 438,420 |
| Construction in Progress | 19,263 | 4,466 |
| Total, at Cost | 9,098,402 | 9,007,884 |
| Less: Accumulated Depreciation | 2,741,030 | 2,414,279 |
| Total Property and Equipment | 6,357,372 | 6,593,605 |
| OTHER ASSETS | | |
| Pledges Receivable, Less Current Portion Above | - | 23,451 |
| Investments Held for Deferred Compensation Plan | 89,224 | 66,239 |
| Total Other Assets | 89,224 | 89,690 |
| Total Assets | \$ 9,496,320 | \$ 9,400,976 |

See accompanying Notes to Consolidated Financial Statements.

| LIABILITIES AND NET ASSETS | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 82,539 | \$ 89,791 |
| Line of Credit | 175,000 | - |
| Current Maturities of Notes Payable | 34,177 | 18,335 |
| Current Obligations Under Capital Lease | - | 3,806 |
| Accrued Payroll and Payroll Taxes | 255,576 | 302,888 |
| Construction Costs Payable | - | 165,815 |
| Other Accrued Liabilities | 400,505 | 453,123 |
| Total Current Liabilities | <u>947,797</u> | <u>1,033,758</u> |
| LONG-TERM LIABILITIES | | |
| Deferred Compensation Plan Liability | 89,224 | 66,239 |
| Notes Payable, Less Current Maturities Above | 215,421 | 86,418 |
| Total Long-Term Liabilities | <u>304,645</u> | <u>152,657</u> |
| Total Liabilities | 1,252,442 | 1,186,415 |
| NET ASSETS | | |
| Unrestricted: | | |
| Undesignated | 1,303,903 | 1,322,474 |
| Net Investment in Property and Equipment | 6,107,774 | 6,323,040 |
| Total Unrestricted | <u>7,411,677</u> | <u>7,645,514</u> |
| Temporarily Restricted | 832,201 | 569,047 |
| Total Net Assets | <u>8,243,878</u> | <u>8,214,561</u> |
| Total Liabilities and Net Assets | <u>\$ 9,496,320</u> | <u>\$ 9,400,976</u> |

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|--------------|--------------|
| UNRESTRICTED NET ASSETS | | |
| Revenue, Gains, and Other Support: | | |
| Revenue and Grants from Government Agencies | \$ 5,278,449 | \$ 5,107,807 |
| Capital Grants from Illinois Housing Development Authority | - | 1,165,151 |
| Contributions for Programs, Restrictions Met in Current Year | 339,268 | 218,370 |
| Special Events, Net of Costs of Direct Benefits to Participants of \$181,458 and \$272,852 in 2017 and 2016, Respectively | 462,381 | 561,776 |
| Other Grants and Contributions | 127,841 | 132,199 |
| Investment Income (Loss), Net | 141,922 | (32,739) |
| Fees and Other Revenues | 229,082 | 82,077 |
| Net Assets Released from Restrictions | 200,403 | 730,098 |
| Total Revenue, Gains, and Other Support | 6,779,346 | 7,964,739 |
| Expenses: | | |
| Program Services | 6,037,080 | 6,026,818 |
| Supporting Services: | | |
| Management and General | 629,506 | 520,595 |
| Fundraising | 346,597 | 395,352 |
| Total Supporting Services | 976,103 | 915,947 |
| Total Expenses | 7,013,183 | 6,942,765 |
| Changes in Unrestricted Net Assets | (233,837) | 1,021,974 |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Contributions for Support of Residence, Family Care, Early Learning Center, West Humboldt Place, International and Summer Camp Programs | 463,557 | 442,306 |
| Net Assets Released from Restrictions | (200,403) | (730,098) |
| Changes in Temporarily Restricted Net Assets | 263,154 | (287,792) |
| CHANGES IN NET ASSETS | 29,317 | 734,182 |
| Net Assets - Beginning of Year | 8,214,561 | 7,480,379 |
| NET ASSETS - END OF YEAR | \$ 8,243,878 | \$ 8,214,561 |

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ 29,317 | \$ 734,182 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 326,744 | 298,251 |
| Donated Stock | (2,186) | - |
| Donated Furniture/Software | - | (49,396) |
| Provision for Bad Debts | 13,125 | 15,251 |
| Loss on Disposal of Furniture and Equipment | - | 1,283 |
| Unrealized (Gain) Loss on Investments, Net | (100,464) | 167 |
| Realized Loss on Sale of Investments, Net | - | 70,406 |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Accounts and Grants Receivable | (32,237) | 547,191 |
| Pledges Receivable | 60,205 | 307,186 |
| Interest Receivable | (76) | 8,082 |
| Prepaid Expenses | 8,946 | 3,375 |
| Deposits and Construction Escrow | (21,511) | 60,371 |
| Accounts Payable | (7,252) | 5,108 |
| Accrued Payroll and Payroll Taxes | (47,312) | 50,999 |
| Deferred Compensation Plan Liability | 22,985 | (1,607) |
| Other Accrued Liabilities | (52,618) | (173,105) |
| Net Cash Provided by Operating Activities | 197,666 | 1,877,744 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Disposal of Furniture and Equipment | - | 3,886 |
| Acquisitions of Property and Equipment | (90,511) | (1,938,598) |
| Proceeds from Sale of Investments | 201,179 | 1,623,041 |
| Purchase of Investments | (273,343) | (1,540,900) |
| Net Cash Used by Investing Activities | (162,675) | (1,852,571) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net, Borrowings Under Line of Credit | 175,000 | - |
| Payments on Capital Lease Obligation | (3,806) | (11,314) |
| Payments on Long-Term Notes Payable | (20,970) | (18,152) |
| Net Cash Provided (Used) by Financing Activities | 150,224 | (29,466) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 185,215 | (4,293) |
| Cash and Cash Equivalents - Beginning of Year | 441,404 | 445,697 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 626,619 | \$ 441,404 |

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUE
YEAR ENDED JUNE 30, 2017

| | Program Services | | | | | | | Supporting Services | | | Total | |
|---|------------------|----------------------|---------------------|-------------------------|-------------------------|-----------------------|---------------|---------------------|------------------------|-------------|------------|--------------|
| | Residential Care | Family and Community | West Humboldt Place | Foster Care Specialized | Foster Care Traditional | Early Learning Center | International | Total | Management and General | Fundraising | | Total |
| FUNCTIONAL EXPENSES | | | | | | | | | | | | |
| Salaries | \$ 404,792 | \$ 447,073 | \$ 63,947 | \$ 401,223 | \$ 199,568 | \$ 995,274 | \$ 206,532 | \$ 2,718,409 | \$ 281,568 | \$ 177,592 | \$ 459,160 | \$ 3,177,569 |
| Employee Benefits | 47,528 | 58,488 | 10,095 | 51,780 | 27,881 | 136,599 | 15,850 | 348,221 | 34,827 | 16,028 | 50,855 | 399,076 |
| Payroll Taxes, Etc. | 32,459 | 46,608 | 6,512 | 38,726 | 20,851 | 103,914 | 16,134 | 265,204 | 26,968 | 17,987 | 44,955 | 310,159 |
| Total Salaries and Related Expenses | 484,779 | 552,169 | 80,554 | 491,729 | 248,300 | 1,235,787 | 238,516 | 3,331,834 | 343,363 | 211,607 | 554,970 | 3,886,804 |
| Professional Fees, including Nurses' Salaries and Related Expenses of Approximately \$602,093 | 413,177 | 18,746 | 11,392 | 131,502 | 56,450 | 155,794 | 52,878 | 839,939 | 106,182 | 55,527 | 161,709 | 1,001,648 |
| Supplies | 28,073 | 14,396 | 967 | 14,035 | 7,557 | 80,001 | 9,649 | 154,678 | 43,735 | 22,212 | 65,947 | 220,625 |
| Telephone | 15,747 | 16,696 | 8,612 | 8,864 | 4,773 | 14,274 | 7,681 | 76,647 | 7,146 | 4,545 | 11,691 | 88,338 |
| Postage and Shipping | 1,596 | 1,592 | 62 | 1,095 | 590 | 397 | 307 | 5,639 | 1,323 | 1,346 | 2,669 | 8,308 |
| Occupancy | 53,122 | 148,253 | 12,293 | 44,444 | 23,931 | 59,582 | 24,979 | 366,604 | 40,407 | 18,806 | 59,213 | 425,817 |
| Interest and Bank Service Charges | 633 | 363 | 2,729 | 212 | 114 | 888 | 1,001 | 5,940 | 14,240 | 6,564 | 20,804 | 26,744 |
| Rental and Maintenance of Equipment | 3,088 | 9,857 | 290 | 2,850 | 1,534 | 12,181 | 991 | 30,791 | 4,578 | 3,248 | 7,826 | 38,617 |
| Printing and Publications | 521 | 234 | 453 | 462 | 248 | 581 | 1,017 | 3,516 | 336 | 15,927 | 16,263 | 19,779 |
| Travel and Transportation | 3,846 | 22,412 | 1,501 | 47,798 | 26,602 | 19,957 | 43,383 | 165,499 | 1,176 | 948 | 2,124 | 167,623 |
| Conferences, Conventions, and Meetings | 1,623 | 2,104 | 913 | 2,941 | 1,583 | 17,624 | 32 | 26,820 | 718 | 342 | 1,060 | 27,880 |
| Specific Assistance to Individuals | 72 | 14,677 | 1,661 | 364,506 | 89,219 | 17,447 | 149,936 | 637,518 | - | 150 | 150 | 637,668 |
| Membership Dues | 26 | 3,012 | 2,299 | 8 | 4 | 132 | 54 | 5,535 | 29,723 | 716 | 30,439 | 35,974 |
| Insurance | 6,434 | 1,290 | 11,101 | 12,301 | 186 | 7,496 | 6,010 | 44,818 | 17,445 | - | 17,445 | 62,263 |
| Other Expenses | 3,731 | 4,211 | 56 | 1,562 | 849 | 4,158 | 1,793 | 16,360 | 7,725 | 1,141 | 8,866 | 25,226 |
| Depreciation and Amortization | 45,736 | 40,610 | 134,405 | 10,563 | 5,687 | 72,877 | 1,939 | 311,817 | 11,409 | 3,518 | 14,927 | 326,744 |
| Bad Debt Expense | - | 6,318 | 2,689 | - | - | 4,118 | - | 13,125 | - | - | - | 13,125 |
| Subtotal | 1,062,204 | 856,940 | 271,977 | 1,134,872 | 467,627 | 1,703,294 | 540,166 | 6,037,080 | \$ 629,506 | \$ 346,597 | \$ 976,103 | \$ 7,013,183 |
| Allocation of Management and General | 110,215 | 88,915 | 28,220 | 117,755 | 48,521 | 176,734 | 59,146 | 629,506 | - | - | - | - |
| Total Functional Expenses | \$ 1,172,419 | \$ 945,855 | \$ 300,197 | \$ 1,252,627 | \$ 516,148 | \$ 1,880,028 | \$ 599,312 | \$ 6,666,586 | | | | |
| DIRECTLY RELATED PROGRAM SERVICES REVENUE | | | | | | | | | | | | |
| Fees and Grants from Government Agencies: | | | | | | | | | | | | |
| DCFS/Medicaid | \$ 1,174,328 | \$ 31,856 | \$ - | \$ 1,248,686 | \$ 536,222 | \$ 64,473 | \$ - | \$ 3,055,565 | | | | \$ 3,055,565 |
| U.S.D.A. | - | - | - | - | - | 75,520 | - | 75,520 | | | | 75,520 |
| Head Start and Early Head Start | - | 200,505 | - | - | - | 652,946 | - | 853,451 | | | | 853,451 |
| CHA | - | - | 37,500 | - | - | - | - | 37,500 | | | | 37,500 |
| DHS | - | 48,015 | - | - | - | 395,367 | - | 443,382 | | | | 443,382 |
| Ryan White, Titles I & II | - | 131,141 | 5,390 | - | - | 20,232 | - | 156,763 | | | | 156,763 |
| City of Chicago CDBG | - | 16,312 | - | - | - | - | - | 16,312 | | | | 16,312 |
| City of Chicago HOPWA | - | 114,839 | 23,513 | - | - | - | - | 138,352 | | | | 138,352 |
| Chicago Public Schools | - | 87,600 | - | - | - | 414,000 | - | 501,600 | | | | 501,600 |
| Total Fees and Grants from Government Agencies | 1,174,328 | 630,268 | 66,403 | 1,248,686 | 536,222 | 1,622,538 | - | 5,278,445 | | | | 5,278,445 |
| Contributions for Programs | 25,000 | 95,701 | - | - | - | 109,292 | 572,832 | 802,825 | | | | 802,825 |
| Special Events Program Restricted, Net Client Fees | - | - | - | - | - | 25,000 | 104,157 | 129,157 | | | | 129,157 |
| Total Directly Related Program Services Revenue | \$ 1,199,328 | \$ 745,275 | \$ 86,512 | \$ 1,248,686 | \$ 536,222 | \$ 1,757,594 | \$ 894,025 | \$ 6,467,642 | | | | \$ 6,467,642 |

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES AND
DIRECTLY RELATED PROGRAM SERVICES REVENUE
YEAR ENDED JUNE 30, 2016

| | Program Services | | | | | | Supporting Services | | | Total | |
|---|------------------|----------------------|-------------------------|-------------------------|-----------------------|---------------|---------------------|------------------------|-------------|------------|--------------|
| | Residential Care | Family and Community | Foster Care Specialized | Foster Care Traditional | Early Learning Center | International | Total | Management and General | Fundraising | | Total |
| FUNCTIONAL EXPENSES | | | | | | | | | | | |
| Salaries | \$ 370,749 | \$ 522,734 | \$ 435,065 | \$ 153,616 | \$ 978,202 | \$ 225,117 | \$ 2,685,483 | \$ 245,347 | \$ 199,278 | \$ 444,625 | \$ 3,130,108 |
| Employee Benefits | 41,640 | 50,480 | 52,300 | 19,344 | 125,534 | 18,547 | 307,845 | 18,595 | 26,031 | 44,626 | 352,471 |
| Payroll Taxes, Etc. | 36,561 | 54,337 | 41,431 | 15,324 | 98,168 | 15,783 | 261,604 | 22,428 | 18,523 | 40,951 | 302,555 |
| Total Salaries and Related Expenses | 448,950 | 627,551 | 528,796 | 188,284 | 1,201,904 | 259,447 | 3,254,932 | 286,370 | 243,832 | 530,202 | 3,785,134 |
| Professional Fees, including Nurses' Salaries and Related Expenses of Approximately \$641,631 | 490,756 | 45,647 | 125,895 | 36,954 | 119,321 | 60,344 | 878,917 | 96,993 | 64,035 | 161,028 | 1,039,945 |
| Supplies | 28,404 | 41,868 | 12,701 | 4,696 | 79,173 | 6,346 | 173,188 | 16,818 | 22,234 | 39,052 | 212,240 |
| Telephone | 13,887 | 22,885 | 9,867 | 3,650 | 14,512 | 7,338 | 72,139 | 7,962 | 4,716 | 12,678 | 84,817 |
| Postage and Shipping | 952 | 1,110 | 2,249 | 831 | 544 | 478 | 6,164 | 2,440 | 2,136 | 4,576 | 10,740 |
| Occupancy | 46,620 | 178,335 | 46,497 | 17,197 | 83,100 | 19,641 | 391,390 | 38,428 | 18,013 | 56,441 | 447,831 |
| Interest and Bank Service Charges | 598 | 418 | 252 | 93 | 884 | 2,113 | 4,358 | 15,795 | 14,896 | 30,691 | 35,049 |
| Rental and Maintenance of Equipment | 3,471 | 6,582 | 4,952 | 1,832 | 14,032 | 1,219 | 32,088 | 4,509 | 4,291 | 8,800 | 40,888 |
| Printing and Publications | - | 492 | 287 | 106 | 429 | 216 | 1,530 | 34 | 8,965 | 8,999 | 10,529 |
| Travel and Transportation | 7,235 | 43,279 | 58,691 | 23,954 | 19,026 | 42,300 | 194,485 | 1,963 | 2,167 | 4,130 | 198,615 |
| Conferences, Conventions, and Meetings | 1,962 | 3,168 | 1,111 | 411 | 17,653 | - | 24,305 | 1,528 | 2,854 | 4,382 | 28,687 |
| Specific Assistance to Individuals | 46 | 14,950 | 327,371 | 70,520 | 16,347 | 187,704 | 616,938 | 18 | 1 | 19 | 616,957 |
| Membership Dues | 66 | 3,111 | 53 | 20 | 308 | 189 | 3,747 | 15,683 | 612 | 16,295 | 20,042 |
| Insurance | 8,850 | 8,356 | 12,129 | 245 | 11,663 | 6,258 | 47,501 | 16,024 | - | 16,024 | 63,525 |
| Other Expenses | 3,975 | 11,245 | 3,344 | 1,238 | 7,272 | 10 | 27,084 | 4,755 | 2,425 | 7,180 | 34,264 |
| Depreciation and Amortization | 48,377 | 138,968 | 10,848 | 4,012 | 78,764 | 1,832 | 282,801 | 11,275 | 4,175 | 15,450 | 298,251 |
| Bad Debt Expense | - | 10,000 | - | - | 5,251 | - | 15,251 | - | - | - | 15,251 |
| Subtotal | 1,104,149 | 1,157,965 | 1,145,043 | 354,043 | 1,670,183 | 595,435 | 6,026,818 | \$ 520,595 | \$ 395,352 | \$ 915,947 | \$ 6,942,765 |
| Allocation of Management and General | 94,932 | 99,559 | 98,448 | 30,440 | 143,598 | 53,618 | 520,595 | | | | |
| Total Functional Expenses | \$ 1,199,081 | \$ 1,257,524 | \$ 1,243,491 | \$ 384,483 | \$ 1,813,781 | \$ 649,053 | \$ 6,547,413 | | | | |
| DIRECTLY RELATED PROGRAM SERVICES REVENUE | | | | | | | | | | | |
| Fees and Grants from Government Agencies: | | | | | | | | | | | |
| DCFS/Medicaid | \$ 1,199,018 | \$ 55,000 | \$ 1,243,403 | \$ 384,421 | \$ 114,227 | \$ - | \$ 2,996,069 | | | | \$ 2,996,069 |
| U.S.D.A. | - | - | - | - | 72,612 | - | 72,612 | | | | 72,612 |
| Head Start and Early Head Start | - | 191,249 | - | - | 590,669 | - | 781,918 | | | | 781,918 |
| CHA | - | 18,695 | - | - | - | - | 18,695 | | | | 18,695 |
| DHS | - | 24,180 | - | - | 55,929 | - | 80,109 | | | | 80,109 |
| Ryan White, Titles I & II | - | 115,094 | - | - | 28,798 | - | 143,892 | | | | 143,892 |
| City of Chicago CDBG | - | 58,858 | - | - | - | - | 58,858 | | | | 58,858 |
| City of Chicago HOPWA | - | 184,054 | - | - | - | - | 184,054 | | | | 184,054 |
| Chicago Public Schools | - | 87,600 | - | - | 684,000 | - | 771,600 | | | | 771,600 |
| Total Fees and Grants from Government Agencies | 1,199,018 | 734,730 | 1,243,403 | 384,421 | 1,546,235 | - | 5,107,807 | | | | 5,107,807 |
| Capital Grants from Illinois Housing Development Authority, City of Chicago, and DCEO | - | 1,165,151 | - | - | - | - | 1,165,151 | | | | 1,165,151 |
| Contributions for Programs | 26,000 | 335,250 | - | - | 177,469 | 121,957 | 660,676 | | | | 660,676 |
| Special Events Program Restricted, Net | - | - | - | - | 165,600 | 72,172 | 237,772 | | | | 237,772 |
| Client Fees | - | 45,595 | - | - | 4,461 | 31,682 | 81,738 | | | | 81,738 |
| Total Directly Related Program Services Revenue | \$ 1,225,018 | \$ 2,280,726 | \$ 1,243,403 | \$ 384,421 | \$ 1,893,765 | \$ 225,811 | \$ 7,253,144 | | | | \$ 7,253,144 |

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Children's Place Association (the Association) was incorporated on April 10, 1989, in the state of Illinois under the General Non-For-Profit Corporation Act of Illinois. The mission of the Association is to build a secure and hopeful today so children facing health issues and poverty succeed tomorrow. The Association's five Affiliated Organizations, The Children's Place Housing Corporation, The Children's Place Home Health Corporation, The Children's Place Foundation, The Children's Place International NFP, and Children's Place Community Living LLC were incorporated under the Illinois General Not-For-Profit Corporation Act in 1996, 1997, 1999, 2008, and 2011, respectively, to support the Association and its programs.

The Association is the only agency of its kind in the Midwest and serves children from the greater Chicago metropolitan area. The Association's revenues are derived primarily from various governmental agencies and the Association's accounts receivables consist of amounts due primarily from the state of Illinois. The Association's fiscal year ends on June 30. Significant accounting policies followed by the Association are presented below.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Association and its five Affiliated Organizations that it controls through common management, board membership, and economic interest. Inter-organization transactions and balances have been eliminated in consolidation. The Affiliated Organizations of the Association are as follows:

The Children's Place Housing Corporation

The purpose of The Children's Place Housing Corporation (Housing Corporation) is to own all real property for the Association and any other of its Affiliated Organizations. The Housing Corporation charges a fee to the Association for the Association's use of the properties in running its programs.

The Children's Place Home Health Corporation

The purpose of The Children's Place Home Health Corporation (Health Corporation) is to provide skilled nursing and ancillary services to children in programs of the Association. The Health Corporation charges the Association for the costs of the skilled nursing provided to the Association's programs.

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Children's Place Community Living LLC

The purpose of Children's Place Community Living LLC is to own and operate a facility to provide supportive housing for 13 low-income families living with disabilities or chronic illness. The name of this facility is West Humboldt Place.

The Children's Place Foundation

The Children's Place Foundation (the Foundation) raises the funds for the Association and its Affiliated Organizations. It also manages the Association's investments. The Foundation charges a fee to the Association and related organizations for its fundraising and fund management activities.

The Children's Place International NFP

The mission of The Children's Place International NFP is to improve the present and secure the future for children, youth, and families affected by HIV/AIDS in resource poor settings outside the United States.

Cash and Cash Equivalents

The Association considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2017 and 2016, cash equivalents consist of interest earning money market accounts. The Association maintains its cash and cash equivalents on deposit with various financial institutions and investment companies, which at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are uncollateralized funding source obligations, which are generally paid within 30 days from the billing date. Accounts receivable are stated at the invoice amount.

Payments of accounts receivable are generally applied to the specific invoices identified on the funding source's remittance advice or, in some cases, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific funding source accounts and the aging of accounts receivable. If actual collections are lower than historical experience, management's estimates of the recoverability of recorded amounts due the Association could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable are unconditional promises to give and are recognized as revenues or gains in the period that the pledge is made and as net assets, decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments

Investments consist of equities, mutual funds, exchange traded funds, and corporate bonds. Investments are carried at fair value with gains and losses included in the consolidated statements of activities. Donated securities are recorded at market value on the date received or at nominal value when the market value is not readily available.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 and expenditures that materially increase the value of the assets or prolong their useful lives are capitalized.

The Association depreciates its property and equipment on the straight-line method over the following estimated useful lives:

| | |
|---------------------------|--------------|
| Building and Improvements | 5 – 40 Years |
| Furniture and Fixtures | 5 – 10 Years |
| Equipment | 3 – 10 Years |

Impairment of Long-Lived Assets

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Association receives a substantial portion of its operating funds from grants and awards. These funds are reported as unrestricted support as the grants reimburse the Association for services provided.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as "Net Assets Released from Restrictions". The Association has no permanently restricted net assets.

Allocation of Costs

The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses and directly related program services revenue. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Consolidated Financial Statement Presentation

Consolidated financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. Accounting principles generally accepted in the United States of America require the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Those resources over which the board of directors has discretionary control.

Temporarily Restricted Net Assets – Those resources subject to donor-imposed stipulations that may be fulfilled by actions of the board to meet the stipulations, or become unrestricted at the date specified by the donor. When a donor or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as "Net Assets Released from Restrictions".

Permanently Restricted Net Assets – Those resources subject to donor-imposed stipulations that they be maintained permanently.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association and its Affiliated Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, they qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations. The Association and its Affiliated Organizations are subject to income taxes on any unrelated business income. The Association and its Affiliated Organizations had no unrelated business income and there were no taxes owed for the years ended June 30, 2017 and 2016.

The Association and its Affiliated Organizations have adopted the requirements for accounting for uncertain tax positions. The Association and its Affiliated Organizations have determined that it is not required to record a liability related to uncertain tax positions for the years ended June 30, 2017 and 2016.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Association for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Association's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Financial Statements of Nonprofit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- Enhanced disclosures in the following areas:
 - Board-designated net assets
 - Donor-restricted net assets
 - Qualitative and quantitative information on liquidity
 - Amounts of expenses by both their natural and functional classification
 - Methods used to allocate costs among program and supporting functions
 - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Association for annual periods beginning after December 15, 2017. Early adoption is permitted.

NOTE 2 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying consolidated financial statements:

Residential Care Program

The 10-bed residential center is a transitional home for children with serious or life-threatening conditions. When a child's illness or the illness or absence of a parent necessitate placement in the home, social work and nursing staff assess the child's needs and attempt to reunite the child with his/her family, or to find another permanent family for him/her. Approximately 30 children are served in the residence each year.

Family and Community Services

Family and Community Services strengthens health compromised families in their efforts to remain together, by providing services such as supportive housing, home based early childhood education, counseling, case management, summer camp, and support groups. Approximately 200 individuals from 100 families in the community are served in Family and Community Services. Nine very low income and health compromised families live in subsidized apartments owned by the Housing Corporation or leased by the Association. Thirteen additional families currently live in West Humboldt Place.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

West Humbolt Place

The West Humbolt Place is a 13-unit apartment building offering supportive housing for families challenged by serious illness and homelessness.

Foster Care Program - Specialized, Traditional, Adoption

The Foster Care Program addresses the needs of children unable to return to their birth families and in need of a foster or adoptive home. The goal of the Foster Care Program is to see that every child grows up in a stable and loving family. To that end, staff works to reunite children with their birth families whenever possible, and assist their foster families in adopting them if parental rights are terminated. Approximately 80 children are served in foster care each year.

Early Learning Center

The Early Learning Center serves 73 children from infancy through age five. Priority is given to children from very low-income families where either the child or parent or both are living with a serious health condition.

International Program

The International Program provides home visitation, nutritional support, educational assistance, after school programs, and antiretroviral therapy adherence support to approximately 330 children affected by HIV/AIDS in Haiti.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Association's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Association; and manage the financial and budgetary responsibilities of the Association.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations and to organize and manage the Association's special events.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at June 30 consist of the following:

| | 2017 | 2016 |
|-------------------------------------|-------------------|-------------------|
| Receivable in Less Than One Year | \$ 110,000 | \$ 147,541 |
| Receivable in One to Two Years | - | 25,000 |
| Total Pledges Receivable | <u>110,000</u> | <u>172,541</u> |
| Less: Discount to Net Present Value | - | (2,336) |
| Pledges Receivable, Net | <u>\$ 110,000</u> | <u>\$ 170,205</u> |
| Current Portion | \$ 110,000 | \$ 146,754 |
| Long-Term Portion | - | 23,451 |
| Total | <u>\$ 110,000</u> | <u>\$ 170,205</u> |

Pledges that were receivable in more than one year were discounted to net present value at 3.25% for 2016.

Based on management's assessment of the collectability of specific promises to give, no provision has been made for uncollectible amounts as of June 30, 2017 and 2016.

NOTE 4 INVESTMENTS

Investments as of June 30 are summarized as follows:

| | 2017 | | |
|------------------------|---------------------|---------------------|--|
| | Fair Value | Cost | Unrealized Appreciation (Depreciation) |
| Mutual Funds: | | | |
| Large Value | \$ 57,415 | \$ 51,668 | \$ 5,747 |
| Large Growth | 177,651 | 161,989 | 15,662 |
| Large Blend | 426,736 | 391,144 | 35,592 |
| Mid Value | 51,558 | 50,875 | 683 |
| Mid Blend | 89,228 | 82,582 | 6,646 |
| Intermediate Term Bond | 35,824 | 36,415 | (591) |
| Nontraditional Bond | 27,494 | 27,410 | 84 |
| Short Term Bond | 57,261 | 57,565 | (304) |
| Exchange Traded Funds | 309,087 | 262,310 | 46,777 |
| Corporate Bonds | 43,800 | 42,839 | 961 |
| Total | <u>\$ 1,276,054</u> | <u>\$ 1,164,797</u> | <u>\$ 111,257</u> |

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 INVESTMENTS (CONTINUED)

| | 2016 | | |
|------------------------|---------------------|---------------------|--|
| | Fair Value | Cost | Unrealized Appreciation (Depreciation) |
| Mutual Funds: | | | |
| Large Value | \$ 49,021 | \$ 49,520 | \$ (499) |
| Large Growth | 151,671 | 150,000 | 1,671 |
| Large Blend | 234,205 | 232,514 | 1,691 |
| Mid Blend | 49,004 | 47,000 | 2,004 |
| Intermediate Term Bond | 35,324 | 35,098 | 226 |
| Nontraditional Bond | 138,753 | 138,062 | 691 |
| Short Term Bond | 164,309 | 163,489 | 820 |
| Exchange Traded Funds | 258,138 | 253,975 | 4,163 |
| Corporate Bonds | 43,800 | 46,462 | (2,662) |
| Total | <u>\$ 1,124,225</u> | <u>\$ 1,116,120</u> | <u>\$ 8,105</u> |

Investment income includes the following:

| | 2017 | 2016 |
|--------------------------------|-------------------|--------------------|
| Interest and Dividend Income | \$ 52,260 | \$ 46,335 |
| Realized Losses, Net | - | (70,406) |
| Investment Fees | (10,802) | (8,501) |
| Unrealized Gains (Losses), Net | 100,464 | (167) |
| Total | <u>\$ 141,922</u> | <u>\$ (32,739)</u> |

As of June 30, 2017 and 2016, cash and cash equivalents held in the Association's investment funds was \$169,956 and \$177,808, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at June 30 are as follows:

| | 2017 | | | |
|---|---------------------|---------------------|------------------|-------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Mutual Funds: | | | | |
| Large Value | \$ 57,415 | \$ 57,415 | \$ - | \$ - |
| Large Growth | 177,651 | 177,651 | - | - |
| Large Blend | 426,736 | 426,736 | - | - |
| Mid Value | 51,558 | 51,558 | - | - |
| Mid Blend | 89,228 | 89,228 | - | - |
| Intermediate Term Bond | 35,824 | 35,824 | - | - |
| Nontraditional Bond | 27,494 | 27,494 | - | - |
| Short Term Bond | 57,261 | 57,261 | - | - |
| Exchange Traded Funds | 309,087 | 309,087 | - | - |
| Corporate Bonds | 43,800 | - | 43,800 | - |
| Total Investments | <u>1,276,054</u> | <u>1,232,254</u> | <u>43,800</u> | <u>-</u> |
| Investments Held for Deferred Compensation Plan: | | | | |
| Mutual Funds: | | | | |
| Government Money Market | 649 | 649 | - | - |
| Large Growth | 19,545 | 19,545 | - | - |
| Large Blend | 24,926 | 24,926 | - | - |
| Mid Blend | 8,265 | 8,265 | - | - |
| Short Term Bond | 15,910 | 15,910 | - | - |
| Exchange Traded Funds | 19,929 | 19,929 | - | - |
| Total Investments Held for Deferred Compensation Plan | <u>89,224</u> | <u>89,224</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 1,365,278</u> | <u>\$ 1,321,478</u> | <u>\$ 43,800</u> | <u>\$ -</u> |
| Deferred Compensation Plan Liability | <u>\$ 89,224</u> | <u>\$ 89,224</u> | <u>\$ -</u> | <u>\$ -</u> |

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

| | 2016 | | | |
|---|---------------------|---------------------|------------------|-------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Mutual Funds: | | | | |
| Large Value | \$ 49,021 | \$ 49,021 | \$ - | \$ - |
| Large Growth | 151,671 | 151,671 | - | - |
| Large Blend | 234,205 | 234,205 | - | - |
| Mid Blend | 49,004 | 49,004 | - | - |
| Intermediate Term Bond | 35,324 | 35,324 | - | - |
| Nontraditional Bond | 138,753 | 138,753 | - | - |
| Short Term Bond | 164,309 | 164,309 | - | - |
| Exchange Traded Funds | 258,138 | 258,138 | - | - |
| Corporate Bonds | 43,800 | - | 43,800 | - |
| Total Investments | <u>1,124,225</u> | <u>1,080,425</u> | <u>43,800</u> | <u>-</u> |
| Investments Held for Deferred Compensation Plan: | | | | |
| Mutual Funds: | | | | |
| Government Money Market | 11,303 | 11,303 | - | - |
| Large Growth | 17,491 | 17,491 | - | - |
| Large Blend | 6,773 | 6,773 | - | - |
| Mid Blend | 7,226 | 7,226 | - | - |
| Short Term Bond | 8,100 | 8,100 | - | - |
| Exchange Traded Funds | 15,346 | 15,346 | - | - |
| Total Investments Held for Deferred Compensation Plan | <u>66,239</u> | <u>66,239</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 1,190,464</u> | <u>\$ 1,146,664</u> | <u>\$ 43,800</u> | <u>\$ -</u> |
| Deferred Compensation Plan Liability | <u>\$ 66,239</u> | <u>\$ 66,239</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair value for Level 1 investments, investments held for deferred compensation plan, and deferred compensation plan liability are measured by reference to quoted market transactions that are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value for Level 2 investments is determined by reference to quoted market transactions for similar assets in less active markets.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 LINE OF CREDIT

The Association has a line of credit agreement that provides borrowing of up to \$450,000, under which \$175,000 and \$-0- was outstanding at June 30, 2017 and 2016. Additionally, \$105,326 of this line of credit was pledged and restricted under a letter of credit established with the Illinois Housing Authority for the West Humboldt Place Project. The line of credit agreement expired on May 5, 2017, and was subsequently renewed for a one-year period expiring on May 5, 2018. Amounts drawn against the line of credit are payable on demand and bear interest at prime (4.25% and 3.50% at June 30, 2017 and 2016, respectively), subject to a 4.00% minimum rate. The line of credit is collateralized by substantially all of the Association's assets.

NOTE 7 DEBT

Mortgage and term notes payable consist of the following:

| <u>Description</u> | <u>2017</u> | <u>2016</u> |
|--|-------------------|------------------|
| Illinois Housing Development Authority, term note, monthly payments of \$1,608, including interest at 1.00% per year, due in December 2021, secured by property on Augusta Boulevard in Chicago, Illinois. | \$ 86,419 | \$ 104,753 |
| Illinois Housing Development Authority, term note with available borrowing up to \$313,162, monthly payments of \$1,305, noninterest bearing, due in June 2037, secured by mortgage on West Humboldt Place Property. | <u>163,179</u> | <u>-</u> |
| Total | 249,598 | 104,753 |
| Less: Current Portion | <u>34,177</u> | <u>18,335</u> |
| Long-Term Portion | <u>\$ 215,421</u> | <u>\$ 86,418</u> |

Future maturities of the mortgage and term notes are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2018 | \$ 34,177 |
| 2019 | 34,365 |
| 2020 | 34,553 |
| 2021 | 34,743 |
| 2022 | 26,879 |
| Thereafter | 84,881 |
| Total | <u>\$ 249,598</u> |

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

DEBT 7 DEBT (CONTINUED)

Subsequent to June 30, 2017, the Association borrowed the remaining available balance on the West Humboldt Place property note.

Interest expense recognized in 2017 and 2016 was \$8,068 and \$9,952, respectively.

NOTE 8 CAPITAL LEASE

Through October 2016, the Association leased certain office equipment under a capital lease agreement. Equipment purchased under the capital lease arrangement had been capitalized at a value of \$33,081 and is included in equipment on the consolidated statements of financial position. Depreciation of the assets under the capital lease is included in depreciation expense. The net book value of the assets that were under the capital lease is \$7,719 and \$14,335 as of June 30, 2017 and 2016, respectively.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Restricted for Purpose: | | |
| For Acquisition and Improvement of Property to Accommodate Early Learning Center and Family Care Programs, as well as Funding of Said Programs | \$ 424,862 | \$ 379,587 |
| International Program | 245,868 | - |
| Residential Program | 54,300 | 29,300 |
| West Humboldt Place | 107,171 | 160,160 |
| Total | <u>\$ 832,201</u> | <u>\$ 569,047</u> |

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when payments were made satisfying the restricted purposes are as follows:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Payments for Property Acquisition, Renovation, Building, and Related Equipment Costs | \$ 14,095 | \$ 6,571 |
| Payments for Family Care Services | 10,885 | 20,015 |
| Payments for Early Learning Center Services | 122,434 | 189,896 |
| Payments for International Program | - | 305,000 |
| Payments for West Humboldt Place | 52,989 | 204,916 |
| Payments for Residential Care Services | - | 3,700 |
| Total | <u>\$ 200,403</u> | <u>\$ 730,098</u> |

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 11 CASH FLOW DISCLOSURES

Cash paid for interest during 2017 and 2016 was \$8,068 and \$9,952, respectively. No cash was paid for income taxes during either year.

During the year ended June 30, 2016, the Association had construction costs payable of \$165,815 in conjunction with the construction of West Humboldt Place (see Note 17). The liability was converted to long-term financing during the year ended June 30, 2017 (see Note 7).

NOTE 12 LEASE COMMITMENTS

The Association leases office space, miscellaneous equipment, and vehicles under operating leases expiring in various years through 2020. Under the Association's lease for office space, the Association is also liable for its proportionate share of real estate taxes, assessments, and other operating costs.

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2018 | \$ 124,840 |
| 2019 | 68,940 |
| 2020 | 33,240 |
| Total | <u>\$ 227,020</u> |

Total rental expense on these leases for the years ended June 30, 2017 and 2016 was \$225,304 and \$240,640, respectively.

NOTE 13 COMPLIANCE WITH GRANTOR RESTRICTIONS

Financial assistance from governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. An estimate of amounts due to funding agencies that may arise from such audits has been recorded. See Note 15 for discussion of the estimate included in the consolidated statements of financial position.

NOTE 14 SIGNIFICANT CONCENTRATIONS

Approximately 44% and 39% of the Association's unrestricted revenues for the years ended June 30, 2017 and 2016, were from one department of the state of Illinois.

Amounts due from this agency represent 25% and 49% of the total outstanding accounts receivable balance as of June 30, 2017 and 2016, respectively.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 15 SIGNIFICANT ESTIMATES

Liability for Excess Revenues

The liability for excess revenues is based on management's assessment of the estimated amounts due to funding sources for program revenues in excess of program expenses. If actual excess revenues are higher than the historical experience, management's estimates of the amounts due from the Association could be adversely affected. A liability of \$348,859 and \$368,288 as of June 30, 2017 and 2016, respectively, has been included in Other Accrued Liabilities on the consolidated statements of financial position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on management's assessment of the estimated amounts of accounts receivable that may not be collected. If actual write offs are higher than the historical experience, management's estimates of the allowance could be adversely affected. An allowance of \$25,000 and \$37,200 as of June 30, 2017 and 2016, respectively, has been netted against accounts receivable on the consolidated statements of financial position.

NOTE 16 DEFERRED COMPENSATION ARRANGEMENT

The Association has a deferred compensation arrangement with its executive director, which will provide benefits to the executive director upon retirement. The Association entered into a Section 457(b) deferred compensation arrangement effective December 1, 2008. Amounts contributed on an annual basis are at the discretion of the Association and will be invested in a portfolio determined by the executive director. Expense incurred by the Association for contributions made to the deferred compensation arrangement totaled \$15,000 and \$7,500 for the years ended June 30, 2017 and 2016, respectively. The value of the plan assets held by the Association for the deferred compensation plan was \$89,224 and \$66,239 at June 30, 2017 and 2016, respectively. The corresponding liability to the plan participant was \$89,224 and \$66,239 at June 30, 2017 and 2016, respectively.

NOTE 17 WEST HUMBOLDT PLACE

The following matters pertaining to the funding and development of the West Humboldt Place facility are reflected within the consolidated financial statements:

- Construction escrow deposits made by the Association of \$271,511 and \$250,000 as of June 30, 2017 and 2016, respectively, are reflected as current assets in the consolidated statements of financial position. These funds were subsequently released in 2018.
- At June 30, 2016, \$165,815 of construction costs were unpaid and are included in "Construction Costs Payable" on the 2016 consolidated statement of financial position. During the year ended June 30, 2017, the liability was converted to long-term financing under a mortgage loan agreement with the Illinois Housing Development Authority. See Note 7.

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NOTE 18 RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2016 financial statement amounts in order to conform to the June 30, 2017 presentation. These reclassifications have no impact on the total assets, net assets, or changes in net assets previously reported.

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 22, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to February 22, 2018 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the consolidated financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017 but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2017.



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