CHILDREN'S PLACE ASSOCIATION
AND ITS AFFILIATED ORGANIZATIONS

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

CliftonLarsonAllen

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AND ITS AFFILIATED ORGANIZATIONS
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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, 2016 and 2015, 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 audits. We conducted our audits 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.

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, 2016 and 2015, 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 December 16, 2016, 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 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 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

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 16, 2016

CHILDREN'S PLACE ASSOCIATION
AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 441,404	$ 445,697
Accounts Receivable, Net of Allowance for Doubtful Accounts of $37,200 and $25,000 at June 30, 2016 and 2015, Respectively	619,249	483,202
Capital Grant Receivable	-	698,489
Pledges Receivable, Net	146,754	428,940
Interest Receivable	1,188	9,270
Investments	1,124,225	1,282,832
Prepaid Expenses	84,907	88,282
Construction Escrow	250,000	312,878
Deposits	49,954	47,447
Total Current Assets	2,717,681	3,797,037
PROPERTY AND EQUIPMENT		
Land	271,110	271,110
Buildings and Improvements	8,003,651	3,580,287
Furniture and Fixtures	290,237	181,942
Equipment	438,420	395,738
Construction in Progress	4,466	3,621,627
Total, at Cost	9,007,884	8,050,704
Less: Accumulated Depreciation	2,414,279	2,174,962
Total Property and Equipment	6,593,605	5,875,742
OTHER ASSETS		
Pledges Receivable, Less Current Portion Above	23,451	48,451
Investments Held for Deferred Compensation Plan	66,239	60,346
Total Other Assets	89,690	108,797
Total Assets	$ 9,400,976	$ 9,781,576

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2016	2015
CURRENT LIABILITIES		
Accounts Payable	$ 89,791	$ 84,683
Current Maturities of Mortgage and Term Notes Payable	18,335	18,152
Current Obligations Under Capital Lease	3,806	11,314
Accrued Payroll and Payroll Taxes	302,888	251,889
Construction Costs Payable	165,815	1,132,526
Other Accrued Liabilities	453,123	626,228
Total Current Liabilities	1,033,758	2,124,792
LONG-TERM LIABILITIES		
Capital Lease Obligation, Less Current Maturities Above	-	3,806
Deferred Compensation Plan Liability	66,239	67,846
Mortgage Note Payable, Less Current Maturities Above	86,418	104,753
Total Long-Term Liabilities	152,657	176,405
Total Liabilities	1,186,415	2,301,197
NET ASSETS		
Unrestricted:		
Undesignated	1,322,474	2,003,229
Net Investment in Property and Equipment	6,323,040	4,620,311
Total Unrestricted	7,645,514	6,623,540
Temporarily Restricted	569,047	856,839
Total Net Assets	8,214,561	7,480,379
Total Liabilities and Net Assets	$ 9,400,976	$ 9,781,576

CHILDREN'S PLACE ASSOCIATION
AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Revenue, Gains, and Other Support:		
Revenue and Grants from Government Agencies	$ 5,107,807	$ 4,938,370
Capital Grants from Illinois Housing Development Authority	1,165,151	2,683,007
Contributions for Programs, Restrictions Met in Current Year	218,370	235,524
Special Events, Net of Costs of Direct Benefits to Participants of $272,852 and $223,820 in 2016 and 2015, Respectively	561,776	461,018
Other Grants and Contributions	132,199	88,046
Investment Loss, Net	(32,739)	(63,624)
Other Revenues	82,077	19,787
Net Assets Released from Restrictions	730,098	171,859
Total Revenue, Gains, and Other Support	7,964,739	8,533,987
Expenses:		
Program Services	6,026,818	5,259,840
Supporting Services:		
Management and General	520,595	516,672
Fundraising	395,352	376,020
Total Supporting Services	915,947	892,692
Total Expenses	6,942,765	6,152,532
Changes in Unrestricted Net Assets	1,021,974	2,381,455
TEMPORARILY RESTRICTED NET ASSETS		
Contributions for Support of Residence, Family Care, Early Learning Center, West Humboldt Place, International and Summer Camp Programs	442,306	551,896
Net Assets Released from Restrictions	(730,098)	(171,859)
Changes in Temporarily Restricted Net Assets	(287,792)	380,037
CHANGES IN NET ASSETS	734,182	2,761,492
Net Assets - Beginning of Year	7,480,379	4,718,887
NET ASSETS - END OF YEAR	$ 8,214,561	$ 7,480,379

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION
AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 734,182	$ 2,761,492
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	298,251	199,665
Donated Stock	-	(1,131)
Donated Furniture/Software	(49,396)	(20,000)
Provision for Bad Debts	15,251	2,180
Loss on Disposal of Furniture and Equipment	1,283	1,579
Unrealized Loss on Investments, Net	167	90,394
Realized Loss on Sale of Investments, Net	70,406	20,597
Effects of Changes in Operating Assets and Liabilities:		
Accounts and Grants Receivable	547,191	(182,842)
Pledges Receivable	307,186	(426,491)
Interest Receivable	8,082	(1,699)
Prepaid Expenses	3,375	12,693
Deposits and Construction Escrow	60,371	(13,878)
Accounts Payable	5,108	(45,709)
Accrued Interest Payable	-	(15,284)
Accrued Payroll and Payroll Taxes	50,999	21,379
Deferred Compensation Plan Liability	(1,607)	21,908
Other Accrued Liabilities	(173,105)	125,567
Net Cash Provided by Operating Activities	1,877,744	2,550,420
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Furniture and Equipment	3,886	-
Acquisitions of Property and Equipment	(1,938,598)	(2,309,638)
Proceeds from Sale of Investments	1,623,041	458,036
Purchase of Investments	(1,540,900)	(550,741)
Net Cash Used by Investing Activities	(1,852,571)	(2,402,343)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net, Payments Under Line of Credit	-	(200,000)
Payments on Capital Lease Obligation	(11,314)	(9,847)
Payments on Mortgage Note Payable	(18,152)	(17,973)
Payments on Term Note Payable	-	(256,000)
Net Cash Used by Financing Activities	(29,466)	(483,820)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,293)	(335,743)
Cash and Cash Equivalents - Beginning of Year	445,697	781,440
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 441,404	$ 445,697

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
	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
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
AND DIRECTLY RELATED PROGRAM SERVICES REVENUE
YEAR ENDED JUNE 30, 2015

	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	$ 358,575	$ 490,073	$ 412,163	$ 152,988	$ 920,469	$ 140,525	$ 2,474,793	$ 250,901	$ 196,008	$ 446,909	$ 2,921,702
Employee Benefits	47,385	41,914	45,149	17,558	93,375	10,997	256,378	16,242	21,035	37,277	293,655
Payroll Taxes, Etc.	34,473	46,968	36,306	14,119	88,471	8,648	228,985	21,219	18,071	39,290	268,275
Total Salaries and Related Expenses	440,433	578,955	493,618	184,665	1,102,315	160,170	2,960,156	288,362	235,114	523,476	3,483,632
Professional Fees, including Nurses' Salaries and Related Expenses of Approximately $593,442	447,406	26,162	100,934	34,957	113,518	18,725	741,702	97,712	61,547	159,259	900,961
Supplies	23,212	31,635	9,189	3,573	67,407	6,815	141,831	20,874	14,940	35,814	177,645
Telephone	10,494	11,379	9,826	3,821	14,358	7,095	56,973	6,991	4,429	11,420	68,393
Postage and Shipping	622	2,063	2,605	1,013	1,183	546	8,032	4,112	8,764	12,876	20,908
Occupancy	42,961	139,877	41,309	16,065	84,609	19,091	343,912	38,847	18,815	57,662	401,574
Interest and Bank Service Charges	890	929	445	173	1,367	1,590	5,394	9,219	8,963	18,182	23,576
Rental and Maintenance of Equipment	4,051	1,665	5,365	2,086	10,528	1,133	24,828	6,250	4,081	10,331	35,159
Printing and Publications	-	150	-	-	-	-	150	448	9,794	10,242	10,392
Travel and Transportation	5,708	43,644	54,546	23,340	19,904	25,118	172,260	2,238	1,725	3,963	176,223
Conferences, Conventions, and Meetings	5,817	3,486	534	208	16,134	826	27,005	3,657	115	3,772	30,777
Specific Assistance to Individuals	129	13,133	304,984	72,438	17,582	109,977	518,243	-	-	-	518,243
Membership Dues	54	2,913	5	2	238	115	3,327	12,482	1,375	13,857	17,184
Insurance	8,065	4,101	11,254	128	11,103	6,235	40,886	13,622	-	13,622	54,508
Other Expenses	3,965	8,489	2,669	1,038	7,147	-	23,308	4,948	3,256	8,204	31,512
Depreciation and Amortization	50,939	47,257	6,843	2,662	80,122	1,830	189,653	6,910	3,102	10,012	199,665
Bad Debt Expense	-	-	-	-	2,180	-	2,180	-	-	-	2,180
	1,044,746	915,838	1,044,126	346,169	1,549,695	359,266	5,259,840	$ 516,672	$ 376,020	$ 892,692	$ 6,152,532
Allocation of Management and General	102,149	89,545	102,088	33,846	151,519	37,525	516,672				
Total Functional Expenses	$ 1,146,895	$ 1,005,383	$ 1,146,214	$ 380,015	$ 1,701,214	$ 396,791	$ 5,776,512				
DIRECTLY RELATED PROGRAM SERVICES REVENUE											
Fees and Grants from Government Agencies:											
DCFS/Medicaid	$ 1,146,847	$ 55,000	$ 1,152,079	$ 371,553	$ 64,227	$ -	$ 2,789,706				$ 2,789,706
U.S.D.A.	-	-	-	-	68,657	-	68,657				68,657
Head Start and Early Head Start	-	197,262	-	-	532,666	-	729,928				729,928
DHS	-	49,180	-	-	511,897	-	561,077				561,077
Ryan White, Titles I & II	-	118,846	-	-	29,365	-	148,211				148,211
City of Chicago CDBG	-	39,471	-	-	-	-	39,471				39,471
City of Chicago HOPWA	-	133,213	-	-	-	-	133,213				133,213
Chicago Public Schools	-	82,107	-	-	386,000	-	468,107				468,107
	1,146,847	675,079	1,152,079	371,553	1,592,812	-	4,938,370				4,938,370
Capital Grants from Illinois Housing Development Authority, City of Chicago, and DCEO	-	2,683,007	-	-	-	-	2,683,007				2,683,007
Contributions for Programs	-	105,750	-	-	249,509	432,161	787,420				787,420
Special Events Program Restricted, Net	-	-	-	-	-	160,266	160,266				160,266
Client Fees	-	14,827	-	-	4,960	-	19,787				19,787
Total Directly Related Program Services Revenue	$ 1,146,847	$ 3,478,663	$ 1,152,079	$ 371,553	$ 1,847,281	$ 592,427	$ 8,588,850				$ 8,588,850

See accompanying Notes to Consolidated Financial Statements.

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.

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, 2016 and 2015, 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 collectibility 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.

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:

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

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.

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.

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, 2016 and 2015.

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, 2016 and 2015.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Financial Statements of Not-for-Profit 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 not-for-profit 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.

NOTE 2 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

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.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at June 30, 2016 consist of the following:

	2016	2015
Receivable in Less Than One Year	$ 147,541	$ 428,940
Receivable in One to Two Years	25,000	50,000
Total Pledges Receivable	172,541	478,940
Less: Discount to Net Present Value	(2,336)	(1,549)
Pledges Receivable, Net	$ 170,205	$ 477,391
Current Portion	$ 146,754	$ 428,940
Long-Term Portion	23,451	48,451
Total	$ 170,205	$ 477,391

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

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, 2016 and 2015.

NOTE 4 INVESTMENTS

Investments as of June 30, 2016 and 2015 are summarized as follows:

	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	$ 1,124,225	$ 1,116,120	$ 8,105

	2015		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Equities:			
Large Core	$ 53,096	$ 32,736	$ 20,360
Large Value	160,757	144,669	16,088
Large Growth	53,807	37,818	15,989
Mid Blend	18,500	19,756	(1,256)
Mid Core	84,400	74,389	10,011
Mid Value	61,934	62,873	(939)
Small Core	15,402	16,173	(771)
Small Value	14,095	15,371	(1,276)
Mutual Funds:			
Large Blend	73,644	83,025	(9,381)
Mid Value	25,029	25,000	29
World Bond	111,504	119,094	(7,590)
Exchange Traded Funds	19,106	22,847	(3,741)
Corporate Bonds	591,558	620,808	(29,250)
Total	$ 1,282,832	$ 1,274,559	$ 8,273

NOTE 4 INVESTMENTS (CONTINUED)

Investment income includes the following:

	2016	2015
Interest and Dividend Income	$ 46,335	$ 59,729
Realized Losses, Net	(70,406)	(20,597)
Investment Fees	(8,501)	(12,362)
Unrealized Losses, Net	(167)	(90,394)
Total	$ (32,739)	$ (63,624)

As of June 30, 2016 and 2015, cash and cash equivalents held in the Association's investment funds was $177,808 and $44,008, 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

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.

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	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	1,124,225	1,080,425	43,800	-
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	66,239	66,239	-	-
Total Assets	$ 1,190,464	$ 1,146,664	$ 43,800	$ -
Deferred Compensation Plan Liability	$ 66,239	$ 66,239	$ -	$ -

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

	2015			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equities:				
Large Core	$ 53,096	$ 53,096	$ -	$ -
Large Value	160,757	160,757	-	-
Large Growth	53,807	53,807	-	-
Mid Blend	18,500	18,500	-	-
Mid Core	84,400	84,400	-	-
Mid Value	61,934	61,934	-	-
Small Core	15,402	15,402	-	-
Small Value	14,095	14,095	-	-
Mutual Funds:	-	-	-	-
Large Blend	73,644	73,644	-	-
Mid Value	25,029	25,029	-	-
World Bond	111,504	111,504	-	-
Exchange Traded Funds	19,106	19,106	-	-
Corporate Bonds	591,558	-	591,558	-
Total Investments	1,282,832	691,274	591,558	-
Investments Held for Deferred Compensation Plan:				
Equities:				
Small Value	2,426	2,426	-	-
Mutual Funds:				
Government Money Market	175	175	-	-
Large Blend	2,374	2,374	-	-
World Blend	5,141	5,141	-	-
World Allocation	50,230	50,230	-	-
Total Investments Held for Deferred Compensation Plan	60,346	60,346	-	-
Total Assets	$ 1,343,178	$ 751,620	$ 591,558	$ -
Deferred Compensation Plan Liability	$ 67,846	$ 67,846	$ -	$ -

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.

NOTE 6 LINE OF CREDIT

The Association has a line of credit agreement that provides borrowing of up to $450,000 and $250,000, at June 30, 2016 and 2015, respectively, under which $-0- was outstanding at June 30, 2016 and 2015. Additionally, $105,326 of this line of credit is 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, 2016, and was subsequently renewed for a one year period expiring on May 5, 2017. Amounts drawn against the line of credit are payable on demand and bear interest at prime (3.50% and 3.25% at June 30, 2016 and 2015, respectively). 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:

Description	2016	2015
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.	$ 104,753	$ 122,905
Less: Current Portion	18,335	18,152
Long-Term Portion	$ 86,418	$ 104,753

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

Year	Amount
2017	$ 18,335
2018	18,519
2019	18,705
2020	18,893
2021	19,083
Thereafter	11,218
Total	$ 104,753

Interest expense recognized in 2016 and 2015 was $9,952 and $6,743, respectively.

NOTE 8 CAPITAL LEASE

The Association leases certain office equipment under a capital lease. The future minimum lease payments under the lease are as follows:

Year Ending June 30,	Amount
2017	$ 4,242
Less: Amount Representing Interest	436
Present Value of Net Minimum Lease Payments	3,806
Less: Current Portion	3,806
Long-Term Portion	$ -

Equipment purchased under the capital lease arrangement has been capitalized at a value of $33,081 and is included in equipment (see 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 under the capital lease is $14,335 and $20,952 as of June 30, 2016 and 2015, respectively.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
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	$ 379,587	$ 296,934
International Program	-	305,000
Residential Program	29,300	7,000
West Humboldt Place	160,160	247,905
Total	$ 569,047	$ 856,839

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:

	2016	2015
Payments for Property Acquisition, Renovation, Building, and Related Equipment Costs	$ 6,571	$ 35,000
Payments for Family Care Services	20,015	23,919
Payments for Early Learning Center Services	189,896	43,830
Payments for International Program	305,000	-
Payments for West Humboldt Place	204,916	69,110
Payments for Residential Care Services	3,700	-
Total	$ 730,098	$ 171,859

NOTE 11 CASH FLOW DISCLOSURES

Cash paid for interest during 2016 and 2015 was $9,952 and $22,027, respectively. No cash was paid for income taxes during either year.

During the year ended June 30, 2016 and 2015, the Association had construction costs payable of $165,815 and $1,132,526, respectively, in conjunction with the construction for West Humboldt Place (see Note 17).

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.

Year	Amount
2017	$ 184,576
2018	118,240
2019	68,940
2020	33,240
Total	$ 404,996

Total rental expense on these leases for the years ended June 30, 2016 and 2015 was $240,640 and $222,526, 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 39% of the Association's unrestricted revenues for the years ended June 30, 2016 and 2015, were from two departments of the state of Illinois.

Amounts due from these agencies represent 54% and 46% of the total outstanding accounts receivable balance as of June 30, 2016 and 2015, respectively.

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 $368,288 and $378,088 as of June 30, 2016 and 2015, 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 $37,200 and $25,000 as of June 30, 2016 and 2015, 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 $7,500 for the years ended June 30, 2016 and 2015. The value of the plan assets held by the Association for the deferred compensation plan was $66,239 and $60,346 at June 30, 2016 and 2015, respectively. The corresponding liability to the plan participant was $66,239 and $67,846 at June 30, 2016 and 2015, respectively.

NOTE 17 WEST HUMBOLDT PLACE

In June 2014, Children's Place Community Living, LLC closed on a funding arrangement for West Humboldt Place. This included a $3,210,162 grant from Illinois Housing Development Authority (the Authority) from the Build Illinois Bonds Funds (the BIBP Program); a $313,162 mortgage loan from the Authority's Financing Adjustment Factor Refunding Agreement (the FAF Agreement) with the U.S. Department of Housing and Urban Development; and a $1,000,000 tax increment financing grant (TIF Grant) from the city of Chicago. The proceeds from these grants and the mortgage must be utilized for the development of West Humboldt Place and are disbursed as project construction progresses. The following matters pertaining to West Humboldt Place are reflected within the consolidated financial statements:

- A $698,489 capital grant receivable from the BIBP Program of the Authority for reimbursement of consulting, architect, legal, and debt issuance costs has been recorded on the 2015 consolidated statements of financial position, and was received in full during 2016.

- A $250,000 and $312,878 construction escrow deposit made by the Association has been recorded on the 2016 and 2015 consolidated statements of financial position, respectively.

- Construction in progress that represented construction costs incurred, consulting, architect, legal, and debt issuance costs which totaled $3,621,627 at June 30, 2015. As of June 30, 2016 and 2015, $165,815 and $1,132,526, respectively, of these costs were unpaid and are included in "Construction Costs Payable" on the 2016 and 2015 consolidated statement of financial position. The construction costs were combined with similar current year costs of $795,166 and total costs of $4,416,793 were moved to the building upon project opening in September 2015.

- A $256,000 term note from the Corporation for Supportive Housing, which had been recorded in the 2014 consolidated statement of financial position. This note was paid in fully during July 2014.

- As of June 30, 2016, the Illinois Housing Development Authority has advanced the Association $165,815 on its $313,162 mortgage loan, which has not closed yet.

NOTE 18 RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2015 financial statement amounts in order to conform to the June 30, 2016 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 December 16, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to December 16, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the consolidated financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016 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, 2016.