YOUTHBUILD LAKE COUNTY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
YouthBuild Lake County, Inc.
North Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of YOUTHBUILD LAKE COUNTY, INC. and its wholly-owned subsidiary, YOUTHBUILD LAKE COUNTY SERVICES, LLC (both Illinois nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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. Those standards require that we plan and perform the audit 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 auditor's 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 entity'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 entity'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.

1717 Deerfield Road, Suite 300 South, Deerfield, Illinois 60015-3977 847•267•9600 Fax 847•267•9696 www.waradydavis.com
Member of MSI Global Alliance

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YOUTHBUILD LAKE COUNTY, INC. as of June 30, 2015 and 2014, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady + Davis LLP

February 19, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 427,046	$ 780,529
Restricted Cash	90,489	60,384
Grants and Contracts Receivable	392,009	192,541
Contributions Receivable	3,500	8,720
Property Held for Sale	4,500	4,500
Prepaid Expenses	13,089	15,441
Total Current Assets	930,633	1,062,115
PROPERTY AND EQUIPMENT		
Computers and Software	41,662	13,683
Leasehold Improvements	8,848	—
Furniture and Equipment	20,788	3,363
Vehicles	45,573	26,418
	116,871	43,464
Less Accumulated Depreciation and Amortization	40,845	37,475
	76,026	5,989
OTHER ASSETS		
Unallocated In-Kind Construction Materials	10,000	20,000
Construction Projects in Progress	195,502	181,466
Total Other Assets	205,502	201,466
	$ 1,212,161	$ 1,269,570
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	$ 138,643	$ —
Accounts Payable	34,678	21,547
Accrued Salaries and Vacation	29,526	75,221
Accrued Expenses	46,182	11,002
Deferred Revenue	90,489	153,547
Total Current Liabilities	339,518	261,317
NET ASSETS		
Unrestricted	826,218	934,903
Temporarily Restricted	46,425	73,350
Total Net Assets	872,643	1,008,253
	$ 1,212,161	$ 1,269,570

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2015			2014		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Public Support						
Contributions and Grants	**$ 76,700**	**$ 262,097**	**$ 338,797**	$ 173,672	$ 143,651	$ 317,323
In-Kind Contributions	**153,856**	—	**153,856**	79,491	—	79,491
Special Events						
Gross Event Revenues	**276,418**	—	**276,418**	216,541	—	216,541
Less: Direct Expenses	**(102,616)**	—	**(102,616)**	(77,914)	—	(77,914)
Net Special Events	**173,802**	—	**173,802**	138,627	—	138,627
Government Grants and Contracts	**993,548**	—	**993,548**	944,380	—	944,380
Total Public Support	**1,397,906**	**262,097**	**1,660,003**	1,336,170	143,651	1,479,821
Other Revenues and Gains	**51,718**	—	**51,718**	49,487	—	49,487
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of Restrictions	**289,022**	**(289,022)**	—	84,601	(84,601)	—
Total	**1,738,646**	**(26,925)**	**1,711,721**	1,470,258	59,050	1,529,308
FUNCTIONAL EXPENSES AND LOSSES						
Functional Expenses						
Program Services						
Education and Training	**1,276,170**	—	**1,276,170**	1,065,456	—	1,065,456
Supporting Services						
Management and General	**209,946**	—	**209,946**	143,780	—	143,780
Fundraising	**182,044**	—	**182,044**	140,629	—	140,629
Total Supporting Services	**391,990**	—	**391,990**	284,409	—	284,409
Total Functional Expenses	**1,668,160**	—	**1,668,160**	1,349,865	—	1,349,865
Impairment Losses	**70,191**	—	**70,191**	43,114	—	43,114
Loss on Sale or Disposition of Property	**108,980**	—	**108,980**	34,995	—	34,995
Total	**1,847,331**	—	**1,847,331**	1,427,974	—	1,427,974
CHANGE IN NET ASSETS	**(108,685)**	**(26,925)**	**(135,610)**	42,284	59,050	101,334
Net Assets, Beginning	**934,903**	**73,350**	**1,008,253**	892,619	14,300	906,919
NET ASSETS, ENDING	**$ 826,218**	**$ 46,425**	**$ 872,643**	$ 934,903	$ 73,350	$ 1,008,253

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Program Services	Support Services			
	Education and Training	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 646,600	$ 101,979	$ 96,636	$ 198,615	$ 845,215
Payroll Taxes	55,409	8,740	8,282	17,022	72,431
Background Checks	6,931	—	—	—	6,931
Bank Charges and Credit Card Fees	—	839	8,687	9,526	9,526
Carrying Costs	5,457	—	—	—	5,457
Computer Expense	2,179	1,295	1,571	2,866	5,045
Conferences, Meetings, and Events	21,122	1,805	12,192	13,997	35,119
Counseling and Wellness Services	122,800	—	—	—	122,800
Depreciation and Amortization	24,229	1,794	2,117	3,911	28,140
Dues, Subscriptions and Licenses	4,720	2,024	—	2,024	6,744
Instructional Materials	50	—	—	—	50
Insurance	32,185	1,560	3,272	4,832	37,017
Interest	—	2,861	—	2,861	2,861
Miscellaneous	—	5,003	2,841	7,844	7,844
Moving	—	29,039	—	29,039	29,039
Occupancy	64,819	2,496	3,026	5,522	70,341
Office Expense, Supplies and Postage	1,224	18,090	1,748	19,838	21,062
Outreach and Recruitment	4,165	—	25	25	4,190
Printing	—	—	8,373	8,373	8,373
Professional Fees	61,271	29,093	28,244	57,337	118,608
Telephone	5,274	2,738	—	2,738	8,012
Tools and Equipment	18,695	—	—	—	18,695
Trainee Service Gear	6,911	—	—	—	6,911
Trainee Stipends and Meals	121,786	58	4,200	4,258	126,044
Training	13,672	509	—	509	14,181
Transportation Assistance	9,205	—	—	—	9,205
Travel	13,295	23	624	647	13,942
Tuition and Books	27,501	—	—	—	27,501
Vehicles Expense	6,670	—	206	206	6,876
TOTALS	$ 1,276,170	$ 209,946	$ 182,044	$ 391,990	$ 1,668,160

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2014

	Program Services	Support Services			
	Education and Training	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 563,226	$ 65,843	$ 87,422	$ 153,265	$ 716,491
Payroll Taxes	43,006	5,019	6,675	11,694	54,700
Background Checks	2,453	—	—	—	2,453
Bank Charges and Credit Card Fees	—	772	6,621	7,393	7,393
Carrying Costs	4,568	—	—	—	4,568
Computer Expense	1,915	—	202	202	2,117
Conferences, Meetings, and Events	32,606	1,267	128	1,395	34,001
Counseling and Wellness	91,400	—	—	—	91,400
Depreciation and Amortization	6,266	1,039	—	1,039	7,305
Dues, Subscriptions and Licenses	5,100	1,420	300	1,720	6,820
Instructional Materials	2,253	—	—	—	2,253
Insurance	19,094	2,234	767	3,001	22,095
Miscellaneous	—	3,313	—	3,313	3,313
Occupancy	38,693	2,277	4,552	6,829	45,522
Office Expense, Supplies and Postage	223	12,781	212	12,993	13,216
Outreach and Recruitment	2,659	—	50	50	2,709
Printing	—	—	8,764	8,764	8,764
Professional Fees	75,686	45,111	23,916	69,027	144,713
Telephone	2,595	2,704	—	2,704	5,299
Tools and Equipment	24,580	—	—	—	24,580
Trainee Service Gear	2,556	—	—	—	2,556
Trainee Stipends	111,093	—	—	—	111,093
Training	7,055	—	96	96	7,151
Transportation Assistance	1,540	—	—	—	1,540
Travel	10,316	—	924	924	11,240
Tuition and Books	10,149	—	—	—	10,149
Vehicles Expense	6,424	—	—	—	6,424
TOTALS	$ 1,065,456	$ 143,780	$ 140,629	$ 284,409	$ 1,349,865

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ (135,610)**	$ 101,334
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	**28,140**	7,305
Donated Property and Equipment	**73,431**	—
Impairment Losses	**70,191**	43,114
Loss on Disposal of Property	**108,980**	34,995
(Increase) Decrease in Assets		
Restricted Cash	**(30,105)**	39,510
Grants and Contracts Receivable	**(199,468)**	4,375
Contributions Receivable	**5,220**	24,227
Prepaid Expenses	**2,352**	(3,477)
Increase (Decrease) in Liabilities		
Accounts Payable	**13,131**	20,912
Accrued Salaries and Vacation	**(45,695)**	53,623
Accrued Expenses	**35,180**	(17,239)
Deferred Revenue	**(63,058)**	25,771
Total Adjustments	**(1,701)**	233,116
Net Cash Provided (Used) by Operating Activities	**(137,311)**	334,450
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on Sales of Properties, net of Closing Costs	**—**	55,347
Purchase of Property and Equipment	**(280,588)**	(3,013)
Capital Expenditures for Properties Held for Sale	**(74,227)**	(15,082)
Purchase of Property for Construction	**—**	(64,158)
Other Capital Expenditures for Construction	**—**	(35,945)
Net Cash Used by Investing Activities	**(354,815)**	(62,851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	**138,643**	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(353,483)**	271,599
Cash and Cash Equivalents, Beginning	**780,529**	508,930
CASH AND CASH EQUIVALENTS, ENDING	**$ 427,046**	$ 780,529
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	**$ 2,861**	—
Noncash Activities		
Donated Goods	**$ 5,035**	$ 1,413
Donated Services	**$ 73,809**	$ 78,078
Donated Facilities	**$ 1,581**	$ —

See accompanying notes.

NATURE OF ORGANIZATION

YBLC, Inc. d/b/a YouthBuild Lake County, Inc. (YBLC) provides education and career training services to help at-risk and underserved young adults complete their education, learn the necessary skills to become gainfully employed or enter post secondary training. YBLC provides career training in the areas of construction, healthcare and transportation/automotive. The organization also builds and rehabilitates affordable homes in Lake County, Illinois, to help youth build a hopeful future for themselves and their families. YBLC Services, LLC d/b/a YouthBuild Lake County Services, LLC, a wholly-owned subsidiary of YBLC, provides fee for service programs and projects. Collectively, these entities are referred to as "the Organization". YBLC's primary sources of revenues are government grants, private grants, and contributions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

BASIS OF PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations." This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). At June 30, 2015 and 2014, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSOLIDATION

The consolidated financial statements of the Organization include the accounts of YBLC, Inc. d/b/a YouthBuild Lake County, Inc. and its wholly-owned subsidiary, YBLC Services, LLC d/b/a YouthBuild Lake County Services, LLC. YBLC Services, LLC provides fee for service programs and projects. All material intercompany transactions and balances have been eliminated.

A majority of the assets and revenues are related to YouthBuild Lake County, Inc.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CONCENTRATIONS

The Organization received 58% and 62% of its total revenues for the year ended June 30, 2015 and 2014, respectively, from government grants and contracts.

CASH AND CASH EQUIVALENTS

The Organization considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

GRANTS AND CONTRACTS RECEIVABLE

The Organization reports grants receivable from government agencies at net realizable value. Management determines an allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against earnings. No allowance was considered necessary as of June 30, 2015 and June 30, 2014, as the Organization believed the amounts to be fully collectible.

PROPERTY HELD FOR SALE

The Organization holds various properties available for sale due to the completion of construction projects. Fair values for these properties are determined by the fair value of similar properties in the same neighborhood area based on market appraisals.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchases of $1,000 or more are stated at cost when purchased or fair value if donated. Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is reflected in the statements of activities.

Property and equipment are depreciated or amortized over the following useful lives:

Computers and Software	2–3 years
Furniture and Equipment	3–5 years
Leasehold Improvements	5–10 years
Vehicles	3–5 years

Depreciation and amortization expense was $28,140 for the year ended June 30, 2015 and $7,305 for the year ended June 30, 2014 and is included in program and supporting services in the statements of activities.

Amortization expense for the next three years is as follows:

Year Ending December 31	
2016	$ 2,309
2017	2,309
2018	1,155
	$ 5,773

As disclosed in Note 11, the Organization incurred two moves during fiscal year 2015 which generated a substantial increase in capital expenditures totaling $139,111 for leasehold improvements and furniture and equipment related to the move. In addition, the Organization purchased a used bus to transport students for $31,155 and expended $29,962 for tech lab computers and the new phone system.

UNALLOCATED IN-KIND CONSTRUCTION MATERIAL

The Organization received donated materials several years ago which it has not used or been unable to fully sell. The materials were written down $10,000 in the year ended June 30, 2015 and $23,321 in the year ended June 30, 2014, which is included in impairment losses on the statements of activities.

CONSTRUCTION PROJECTS IN PROGRESS

Construction projects in progress include both direct costs incurred and in-kind contributions of materials related to the properties under construction in North Chicago and Zion, Illinois.

CONTRIBUTIONS

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GRANTS AND DEFERRED REVENUE

Federal and state grant awards are recognized in the period in which they are expended for cost reimbursement agreements. Amounts received under these grants that have not yet been expended are recorded as deferred revenue. Certain organizations involved in exchange transactions may specify monies be used in a specific future period and, as such, they are initially recorded as deferred revenue, and are then recognized in the period for which they were designated.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged directly to program or support service categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

INCOME TAX STATUS

The Organization has received a favorable determination letter stating its exemption from federal income tax on all income related to its tax-exempt purpose under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois.

The Organization adopted the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

NOTE 2—RESTRICTED CASH

Restricted cash of $90,489 at June 30, 2015 and $60,384 at June 30, 2014 is comprised of amounts contributed by the Illinois Department of Commerce and Economic Opportunity. The grantor stipulated that the funds and any interest thereon be segregated from the Organization's unrestricted bank accounts.

NOTE 3—FAIR VALUE MEASUREMENTS

The FASB Codification topic related to fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Level 1 Fair Value Measurements

The Organization did not value any assets using level 1 inputs as of June 30, 2015 and 2014.

Level 2 Fair Value Measurements

The Organization did not value any assets using level 2 inputs as of June 30, 2015 and 2014.

Level 3 Fair Value Measurements

The fair value of property held for sale is based on fair value of similar properties in the same neighborhood area as of June 30, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3—FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a nonrecurring basis at June 30, 2015 and 2014 is as follows:

	Fair Value	Significant Inputs (Level 3)
1700 16th Street, North Chicago, Illinois	$ 4,500	$ 4,500

During the year ended June 30, 2014, the property located at 1700 16th Street, North Chicago, Illinois with a carrying amount of $9,000 was written down to its fair value of $4,500, resulting in an impairment loss of $4,500, which was included in change in net assets for the year.

Total impairment loss for the year ended June 30, 2015 was $70,191 comprised of $40,078 related to demolishment of the house at 2015 Elim, $20,113 related to the write-down of 2201 Horeb and $10,000 on unallocated in-kind construction materials.

Total impairment loss for the year ended June 30, 2014 was $43,114 and consists of the $4,500 impairment loss on the property located at 1700 16th Street, North Chicago, Illinois, along with an impairment loss of $15,293 related to the percentage of completion for construction in progress (see Note 6), and an impairment loss of $23,321 on its unallocated in-kind construction materials.

NOTE 4—PROPERTY HELD FOR SALE

Property held for sale as of June 30, consisted of the following:

	2015	2014
1700 16th Street, North Chicago, Illinois (land only)	**$ 4,500**	$ 4,500

During 2014, the Organization finished construction on the property located at 2133 Honore Avenue, North Chicago, Illinois and on February 21, 2014, the Organization closed on the sale for $75,000. The Organization was responsible for closing costs and sales credits of $19,653.

NOTE 5—CONSTRUCTION PROJECTS IN PROGRESS

A summary of construction projects in process and in-kind contributions by property as of June 30, 2015 were as follows:

	In Kind	Total
1821 Joanna	$ 18,000	$ 68,501
2015 Elim	22,000	22,000
2121 Honore	14,625	9,000
2127 Honore	14,625	9,000
2201 Horeb	--	87,001
	$ 69,250	$ 195,502

NOTE 5—CONSTRUCTION PROJECTS IN PROGRESS (Continued)

During the year ended June 30, 2015, the property located at 2015 Elim was written down to $22,000, the value of the land after demolishment of the house on the property. Total impairment loss was $40,078, which includes the prior year beginning balance of $48,125 and $13,953 of additions made during 2015 prior to demolishment. Also during the year ended June 30, 2015, the property located at 2201 Horeb was written down to $87,001, its net realizable value based on a prospective sales price less expected closing costs.

A summary of construction costs and in kind contributions by property as of June 30, 2014 were as follows:

	In Kind	Total
1821 Joanna	$ 18,000	$ 47,728
2015 Elim	22,000	48,125
2121 Honore	14,625	9,000
2127 Honore	14,625	9,000
2201 Horeb	--	67,613
	$ 69,250	$ 181,466

During the year ended June 30, 2014, the Organization purchased the property at 2201 Horeb, Zion, Illinois for $64,158 and incurred $3,455 of additional costs which are capitalized as construction projects in process.

During the year ended June 30, 2014, the property located at 2121 Honore, North Chicago, Illinois with a carrying amount of $14,625 as of June 30, 2014 was written down to its fair value of $9,000 considering the percentage of completion, resulting in an impairment loss of $5,625 which was included in change in net assets for the year.

During the year ended June 30, 2014, the property located at 2127 Honore, North Chicago, Illinois with a carrying amount of $18,668 as of June 30, 2014 was written down to its fair value of $9,000 considering the percentage of completion, resulting in an impairment loss of $9,668 which was included in change in net assets for the year.

NOTE 6—LINE OF CREDIT

The Organization has a $250,000 revolving line of credit with a current maturity date of February 28, 2016. The line bears interest at the prime rate (3.25% at June 30, 2015), with a 4% minimum and is collateralized by a commercial security agreement on the assets of the Organization. The outstanding balance at June 30, 2015 was $138,643. There was no outstanding balance at June 30, 2014. Interest expense was $2,861 for the year ended June 30, 2015 and $-0- for the year ended June 30, 2014.

NOTE 7—TEMPORARILY RESTRICTED NET ASSETS

	2015	2014
Mission Moment for Spring Benefit – Move to New Location	$ –	$ 31,151
Mission Moment for Spring Benefit – 2016 Programs	**46,425**	–
Circle of Service Foundation – Software Upgrade/Capacity Building	–	5,000
Discover Financial Services – Auto Program	–	4,699
Abbvie – Education	–	10,000
Healthcare Foundation of Northern Lake County – Wellness Program	–	22,500
	$ 46,425	$ 73,350

Net assets released from donor restrictions by fulfillment of restricted purposes were $289,022 and $84,601 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8—GOVERNMENT GRANTS AND CONTRACTS

	2015	2014
AmeriCorps	**$ 152,648**	$ 89,116
Department of Commerce and Economic Opportunity	**154,430**	111,841*
Department of Housing and Urban Development –		
Community Development Block Grants/Entitlement Grants	**5,808**	5,000
Home Investment Partnerships Program	**20,773**	65,090
Department of Labor – YouthBuild	**572,269**	616,070
Workforce Investment Agency – Bridge to College	**77,032**	57,263
North Chicago School District	**10,588**	–
	$ 993,548	$ 944,380

***** For the year ended June 30, 2014, $82,429 of this amount is revenue from the Department of Commerce and Economic Opportunity passed through other organizations to YouthBuild Lake County, Inc. There were no pass-through grants for the year-ended June 30, 2015.

NOTE 9—OTHER REVENUES AND GAINS

	2015	2014
Lake County Housing Authority Stipends	**$ 42,875**	$ 45,875
Interest Income	**240**	299
Miscellaneous	**8,603**	3,313
	$ 51,718	$ 49,487

NOTE 10—CONTRIBUTIONS IN-KIND

Donations of property and equipment are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met. The Organization received donated goods valued at $78,466 and $1,413 for the years ended June 30, 2015, and 2014, respectively. The $78,466 received for the year ended June 30, 2015 consisted of $73,431 of items capitalized into various fixed asset accounts, $160 of office supplies, $2,650 of trainee service gear, and $2,225 of tools and equipment included in the statements of functional expenses. The $1,413 received for the year ended June 30, 2014 consisted of tools and equipment included in the statements of functional expenses.

The Organization received the rent-free use of facilities recorded at an estimated fair value of $1,581, for the year ended June 30, 2015, which is included in in-kind contributions revenue in the statements of activities and as occupancy expense in the statements of functional expenses. During the year ended June 30, 2014, the Organization did not receive any donated facilities.

Donations of services are recorded if they create or enhance a non-financial asset or they require specialized skills which would be purchased if they were not donated. During the years ended June 30, 2015 and 2014, the Organization received various donated services valued at $73,809 and $78,078, respectively. The amounts are included in in-kind contributions revenue in the statements of activities, and professional fees in the statements of functional expenses.

For the years ended June 30, 2015 and 2014, the Organization also received a significant amount of donated services from volunteers and board members who assisted with the operations. The value of these services has not been recognized in the statements of activities since they do not meet the criteria for recognition under the Not-for-Profit Entities topic of the FASB Codification related to contributions made and received.

NOTE 11—OPERATING LEASES

The Organization has a new lease agreement with the Board of Education of North Chicago Community Unit School District No. 187, Lake County, Illinois (the landlord) for office and classroom space that expires on May 31, 2025. In August 2014, the Organization had moved from their former school location to a new location at the request of the School District and was requested to relocate again after eight months when the School District decided they needed the facility back. Although the Organization was not contractually obligated to relocate at that time, management and the Board decided to do so for the best interest of the community and renegotiated the new lease with no terms for involuntary early exit that existed in the prior lease. In the prior year, the Organization had another lease agreement with the same School District which was scheduled to expire on December 31, 2018, with five, one-year extension options. For both leases, in lieu of rent, the Organization pays operating expenses for the property which include utilities, alarm, security, fire and carbon monoxide system maintenance, landscape maintenance, snow removal, interior janitorial and cleaning expenses, scavenger services, pest control, and building security. Expenses on the various leases were $99,380 for the year ended June 30, 2015 and $45,522 for the year ended June 30, 2014.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 19, 2016, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.