YOUTHBUILD LAKE COUNTY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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
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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, 2016 and 2015, 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

January 23, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30	**2016**	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 488,783**	$ 427,046
Restricted Cash	**71,884**	90,489
Grants and Contracts Receivable	**361,230**	392,009
Contributions Receivable	**14,758**	3,500
Other Receivables	**7,525**	—
Property Held for Sale	**2,500**	4,500
Prepaid Expenses	**35,076**	13,089
Total Current Assets	**981,756**	930,633
PROPERTY AND EQUIPMENT		
Computers and Software	**52,815**	41,662
Leasehold Improvements	**8,848**	8,848
Furniture and Equipment	**20,788**	20,788
Vehicles	**45,573**	45,573
	128,024	116,871
Less Accumulated Depreciation and Amortization	**67,332**	40,845
	60,692	76,026
OTHER ASSETS		
Unallocated In-Kind Construction Materials	**9,500**	10,000
Construction Projects in Progress	**199,844**	195,502
Total Other Assets	**209,344**	205,502
	$ 1,251,792	$ 1,212,161
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	**$ 166,556**	$ 138,643
Accounts Payable	**25,052**	34,678
Accrued Salaries and Vacation	**37,521**	29,526
Accrued Expenses	**5,236**	46,182
Deferred Revenue	**121,884**	90,489
Total Current Liabilities	**356,249**	339,518
NET ASSETS		
Unrestricted	**798,808**	826,218
Temporarily Restricted	**96,735**	46,425
Total Net Assets	**895,543**	872,643
	$ 1,251,792	$ 1,212,161

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30	**2016**			2015		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Public Support						
Contributions and Grants	**$ 88,784**	**$ 285,012**	**$ 373,796**	$ 76,700	$ 262,097	$ 338,797
In-Kind Contributions	**156,555**	**—**	**156,555**	153,856	—	153,856
Special Events						
Gross Event Revenues	**258,926**	**—**	**258,926**	276,418	—	276,418
Less: Direct Expenses	**(94,110)**	**—**	**(94,110)**	(102,616)	—	(102,616)
Net Special Events	**164,816**	**—**	**164,816**	173,802	—	173,802
Government Grants and Contracts	**793,532**	**—**	**793,532**	993,548	—	993,548
Total Public Support	**1,203,687**	**285,012**	**1,488,699**	1,397,906	262,097	1,660,003
Other Revenues and Gains	**31,554**	**—**	**31,554**	51,718	—	51,718
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of Restrictions	**234,702**	**(234,702)**	**—**	289,022	(289,022)	—
Total	**1,469,943**	**50,310**	**1,520,253**	1,738,646	(26,925)	1,711,721
FUNCTIONAL EXPENSES AND LOSSES						
Functional Expenses						
Program Services						
Education and Training	**1,094,523**	**—**	**1,094,523**	1,276,170	—	1,276,170
Supporting Services						
Management and General	**206,381**	**—**	**206,381**	209,946	—	209,946
Fundraising	**167,698**	**—**	**167,698**	182,044	—	182,044
Total Supporting Services	**374,079**	**—**	**374,079**	391,990	—	391,990
Total Functional Expenses	**1,468,602**	**—**	**1,468,602**	1,668,160	—	1,668,160
Impairment Losses	**12,000**	**—**	**12,000**	70,191	—	70,191
Loss on Sale or Disposition of Property	**16,751**	**—**	**16,751**	108,980	—	108,980
Total	**1,497,353**	**—**	**1,497,353**	1,847,331	—	1,847,331
CHANGE IN NET ASSETS	**(27,410)**	**50,310**	**22,900**	(108,685)	(26,925)	(135,610)
Net Assets, Beginning	**826,218**	**46,425**	**872,643**	934,903	73,350	1,008,253
NET ASSETS, ENDING	**$ 798,808**	**$ 96,735**	**$ 895,543**	$ 826,218	$ 46,425	$ 872,643

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services	Support Services			
	Education and Training	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 604,868	$ 97,676	$ 81,890	$ 179,566	$ 784,434
Payroll Taxes	49,147	7,936	6,654	14,590	63,737
Background Checks	3,703	—	—	—	3,703
Bank Charges and Credit Card Fees	—	1,219	7,827	9,046	9,046
Carrying Costs	7,628	—	—	—	7,628
Computer Expense	3,382	658	570	1,228	4,610
Conferences, Meetings, and Events	4,289	2,049	5,241	7,290	11,579
Counseling and Wellness Services	136,320	—	—	—	136,320
Depreciation and Amortization	22,057	2,667	1,763	4,430	26,487
Dues, Subscriptions and Licenses	3,538	755	—	755	4,293
Insurance	32,879	8,452	3,276	11,728	44,607
Interest	—	7,895	—	7,895	7,895
Miscellaneous	—	2,106	2,500	4,606	4,606
Occupancy	29,752	1,314	2,928	4,242	33,994
Office Expense, Supplies and Postage	1,920	10,920	295	11,215	13,135
Outreach and Recruitment	5,583	150	230	380	5,963
Printing	—	—	6,349	6,349	6,349
Professional Fees	35,944	54,658	42,006	96,664	132,608
Real Estate Taxes	—	3,069	—	3,069	3,069
Telephone	5,515	4,257	—	4,257	9,772
Tools and Equipment	6,425	—	—	—	6,425
Trainee Service Gear	10,311	—	—	—	10,311
Trainee Stipends and Meals	72,565	—	4,950	4,950	77,515
Training	3,263	600	—	600	3,863
Transportation Assistance	3,509	—	—	—	3,509
Travel	16,579	—	1,219	1,219	17,798
Tuition and Books	31,924	—	—	—	31,924
Vehicles Expense	3,422	—	—	—	3,422
TOTALS	$ 1,094,523	$ 206,381	$ 167,698	$ 374,079	$ 1,468,602

See accompanying notes.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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	15,197	1,311	8,735	10,046	25,243
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	—	5,003	5,003
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	31,085	60,178	121,449
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	127,711	552	7,657	8,209	135,920
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 CASH FLOWS

For the Years Ended June 30	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 22,900	$ (135,610)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	26,487	28,140
Donated Property for Sale	(52,000)	—
Donated Property and Equipment	—	73,431
Impairment Losses	12,000	70,191
Loss on Disposal of Property	16,751	108,980
(Increase) Decrease in Assets		
Restricted Cash	18,605	(30,105)
Grants and Contracts Receivable	30,779	(199,468)
Contributions Receivable	(11,258)	5,220
Other Receivables	(7,525)	—
Prepaid Expenses	(21,987)	2,352
Increase (Decrease) in Liabilities		
Accounts Payable	(9,626)	13,131
Accrued Salaries and Vacation	7,995	(45,695)
Accrued Expenses	(40,946)	35,180
Deferred Revenue	31,395	(63,058)
Total Adjustments	670	(1,701)
Net Cash Provided (Used) by Operating Activities	23,570	(137,311)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on Sale of Donated Property, net of Closing Costs	35,249	—
Proceeds on Sale of In-Kind Construction Materials	500	—
Reinvested Interest	—	—
Purchase of Property and Equipment	(11,153)	(280,588)
Capital Expenditures for Properties Held for Sale	(14,342)	(74,227)
Net Cash Provided (Used) by Investing Activities	10,254	(354,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	92,913	138,643
Repayments of Line of Credit	(65,000)	—
Net Cash Provided by Financing Activities	27,913	138,643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,737	(353,483)
Cash and Cash Equivalents, Beginning	427,046	780,529
CASH AND CASH EQUIVALENTS, ENDING	$ 488,783	$ 427,046
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 7,895	2,861
Noncash Activities		
Donated Goods	$ 3,766	$ 5,035
Donated Services	$ 99,258	$ 73,809
Donated Facilities	$ 1,531	$ 1,581
Donated Property for Sale	$ 52,000	$ —

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. 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 internships for students. 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, 2016 and 2015, 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 student internships 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 52% and 58% of its total revenues for the year ended June 30, 2016 and 2015, 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,CONTRIBUTIONS AND OTHER RECEIVABLES

The Organization reports grants receivable from government agencies, contributions and other receivables 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, 2016 and June 30, 2015, 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	3 years
Furniture and Equipment	3 years
Leasehold Improvements	5 years
Vehicles	3–5 years

Depreciation and amortization expense was $26,487 for the year ended June 30, 2016 and $28,140 for the year ended June 30, 2015 and is included in program and supporting services in the statements of activities.

Software amortization expense for the next three years is as follows:

Year Ending June 30		
2017	$	5,472
2018		5,472
2019		428
	$	11,372

Amortization expense was $3,891 for the year ended June 30, 2016 and $1,154 for the year ended June 30, 2015, and is included in the total depreciation and amortization amount on the statements of functional expenses.

As disclosed in Note 12, 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, which is included in impairment losses on the statements of activities. No such write down was deemed necessary for the year ended June 30, 2016.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

GRANTS AND DEFERRED REVENUE

Federal, state and other 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 grantors involved in exchange transactions may specify monies be used in a specific future period and, as such, they are initially recorded as deferred revenue by the Organization, 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.

NOTE 2—RESTRICTED CASH

Restricted cash of $71,884 at June 30, 2016 and $90,489 at June 30, 2015 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, 2016 and 2015.

Level 1 Fair Value Measurements

The Organization did not value any assets using level 1 inputs as of June 30, 2016 and 2015.

Level 2 Fair Value Measurements

The Organization did not value any assets using level 2 inputs as of June 30, 2016 and 2015.

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, 2016 and 2015.

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, 2016 and 2015 is as follows:

	Fair Value	Significant Inputs (Level 3)
1700 16th Street, North Chicago, Illinois	$ 2,500	$ 2,500

During the year ended June 30, 2016, the property located at 1700 16th Street, North Chicago, Illinois with a carrying amount of $4,500 was written down to its fair value of $2,500, resulting in an impairment loss of $2,000, which was included in change in net assets for the year.

Total impairment loss for the year ended June 30, 2016 was $12,000 comprised of $10,000 related to the write-down of the land at 2015 Elim, and $2,000 related to the write-down of 1700 16th Street.

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. There was no such impairment loss for the year ended June 30, 2016.

NOTE 4—CONDITIONAL GRANTS

During the year ended June 30, 2016, the Organization was awarded a $40,000 match grant, receivable over two years. The grant is conditional on the Organization raising funds from new private donors, or receiving additional incremental donations from current private donors, up to $5,000 per donor. The Organization met the conditions as of June 30, 2016, and recognized the full $40,000.

NOTE 5—PROPERTY HELD FOR SALE

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

	2016	2015
1700 16th Street, North Chicago, Illinois (land only)	**$ 2,500**	$ 4,500

NOTE 6—CONSTRUCTION PROJECTS IN PROGRESS

A summary of construction projects in process and in-kind contributions by property as of June 30, 2016 were as follows:

	In Kind	Total
1821 Joanna	$ 18,000	$ 82,844
2015 Elim	22,000	12,000
2121 Honore	14,625	9,000
2127 Honore	14,625	9,000
2201 Horeb	--	87,000
	$ 69,250	$ 199,844

NOTE 6—CONSTRUCTION PROJECTS IN PROGRESS (Continued)

During the year ended June 30, 2016, the property located at 2015 Elim was written down to $12,000, the revised net value of the land.

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

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

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 $87,000, its net realizable value based on a prospective sales price less expected closing costs.

NOTE 7—LINE OF CREDIT

The Organization has a $250,000 revolving line of credit with a current maturity date of March 1, 2017. The line bears interest at the prime rate (3.50% at June 30, 2016), with a 4% minimum and is collateralized by a commercial security agreement on the assets of the Organization. The outstanding balance at June 30, 2016 was $166,556 and $138,643 at June 30, 2015. The outstanding principal balance of the line must be at a zero balance for a period of 30 consecutive days during the borrowing period. Interest expense was $7,895 for the year ended June 30, 2016 and $2,861 for the year ended June 30, 2015.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

	2016	2015
Mission Moment for Spring Benefit – Programs	**$ 47,975**	$ 46,425
YouthBuild USA – Mental Toughness	**2,000**	–
Time Restricted	**20,000**	–
Healthcare Foundation of Northern Lake County – Student Data Tracking	**4,260**	–
Healthcare Foundation of Northern Lake County – Wellness Program	**22,500**	–
	$ 96,735	$ 46,425

Net assets released from donor restrictions by fulfillment of restricted purposes were $234,702 and $289,022 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9—GOVERNMENT GRANTS AND CONTRACTS

	2016	2015
AmeriCorps	$ 124,416	$ 152,648
Department of Commerce and Economic Opportunity	–	154,430
Department of Housing and Urban Development –		
Community Development Block Grants/Entitlement Grants	32,750	5,808
Home Investment Partnerships Program	14,342	20,773
Department of Labor – YouthBuild	515,312	572,269
Workforce Investment Agency – Bridge to College	106,712	77,032
North Chicago School District	–	10,588
	$ 793,532	$ 993,548

NOTE 10—OTHER REVENUES AND GAINS

	2016	2015
Lake County Housing Authority Stipends	$ 30,389	$ 42,875
Interest Income	240	240
Miscellaneous	925	8,603
	$ 31,554	$ 51,718

NOTE 11—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 $3,766 and $78,466 for the years ended June 30, 2016, and 2015, respectively. The $3,766 received for the year ended June 30, 2016 consisted of $1,809 of office maintenance supplies, and $1,957 of tools and equipment included in the statements of functional expenses. 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 Organization received the rent-free use of facilities recorded at an estimated fair value of $1,531, for the year ended June 30, 2016, 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, 2015, the Organization received an estimated $1,581 for 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, 2016 and 2015, the Organization received various donated services valued at $99,258 and $73,809, respectively. The amounts are included in in-kind contributions revenue in the statements of activities, and professional fees in the statements of functional expenses.

The Organization received a donated piece of property during the year ended June 30, 2016 valued at $52,000, which was subsequently sold for $40,000, less closing costs of $4,751 and real estate taxes of $3,069. No such donation was received during the year ended June 30, 2015.

NOTE 11—CONTRIBUTIONS IN-KIND (Continued)

For the years ended June 30, 2016 and 2015, 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 12—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. Expenses on the various leases were $33,994 for the year ended June 30, 2016 and $99,380 for the year ended June 30, 2015.

NOTE 13—RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 23, 2017, the date which the financial statements were available for issue. In December 2016, the Organization sold 1821 Joanna for a sales price of $87,500. There were no other subsequent events which require disclosure.