

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017



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**CHILDREN'S PLACE ASSOCIATION 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, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses and directly related program services revenue for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018 and 2017, 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 March 27, 2019, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 27, 2019

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 231,363	\$ 626,619
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$25,000 at June 30, 2018 and 2017	1,108,594	638,361
Pledges Receivable, Net	53,620	110,000
Interest Receivable	1,458	1,264
Investments	1,387,482	1,276,054
Prepaid Expenses	85,429	75,961
Construction Escrow	-	271,511
Deposits	215,869	49,954
Total Current Assets	3,083,815	3,049,724
PROPERTY AND EQUIPMENT		
Land	271,110	271,110
Buildings and Improvements	8,006,546	8,004,596
Furniture and Fixtures	297,815	290,237
Equipment	547,214	513,196
Construction in Progress	124,044	19,263
Total, at Cost	9,246,729	9,098,402
Less: Accumulated Depreciation	3,054,140	2,741,030
Total Property and Equipment	6,192,589	6,357,372
OTHER ASSETS		
Investments Held for Deferred Compensation Plan	99,372	89,224
Total Assets	\$ 9,375,776	\$ 9,496,320

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 158,123	\$ 82,539
Line of Credit	125,000	175,000
Current Maturities of Notes Payable	45,566	34,177
Accrued Payroll and Payroll Taxes	259,152	255,576
Other Accrued Liabilities	113,245	400,505
Total Current Liabilities	701,086	947,797
 LONG-TERM LIABILITIES		
Deferred Compensation Plan Liability	99,372	89,224
Notes Payable, Less Current Maturities	574,011	215,421
Total Long-Term Liabilities	673,383	304,645
Total Liabilities	1,374,469	1,252,442
 NET ASSETS		
Unrestricted:		
Undesignated	1,834,696	1,303,903
Net Investment in Property and Equipment	5,573,013	6,107,774
Total Unrestricted	7,407,709	7,411,677
Temporarily Restricted	593,598	832,201
Total Net Assets	8,001,307	8,243,878
Total Liabilities and Net Assets	\$ 9,375,776	\$ 9,496,320

See accompanying Notes to Consolidated Financial Statements.

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
UNRESTRICTED NET ASSETS		
Revenue, Gains, and Other Support:		
Revenue and Grants from Government Agencies	\$ 6,151,138	\$ 5,278,449
Contributions for Programs, Restrictions Met in Current Year	191,358	339,268
Special Events	636,781	643,839
Other Grants and Contributions	104,069	127,841
Investment Income, Net	104,254	141,922
Fees and Other Revenues	297,234	229,082
Net Assets Released from Restrictions	493,807	200,403
Total Revenue, Gains, and Other Support	7,978,641	6,960,804
Expenses:		
Program Services	6,624,669	6,037,080
Supporting Services:		
Management and General	698,148	629,506
Fundraising	659,792	528,055
Total Supporting Services	1,357,940	1,157,561
Total Expenses	7,982,609	7,194,641
Changes in Unrestricted Net Assets	(3,968)	(233,837)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions for Support of Residence, Family Care, Early Learning Center, West Humboldt Place, International and Summer Camp Programs	255,204	463,557
Net Assets Released from Restrictions	(493,807)	(200,403)
Changes in Temporarily Restricted Net Assets	(238,603)	263,154
CHANGES IN NET ASSETS	(242,571)	29,317
Net Assets - Beginning of Year	8,243,878	8,214,561
NET ASSETS - END OF YEAR	\$ 8,001,307	\$ 8,243,878

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (242,571)	\$ 29,317
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	313,711	326,744
Donated Stock	-	(2,186)
Provision for Bad Debts	3,066	13,125
Unrealized Gain on Investments, Net	(23,853)	(100,464)
Effects of Changes in Operating Assets and Liabilities:		
Accounts and Grants Receivable	(473,299)	(32,237)
Pledges Receivable	56,380	60,205
Interest Receivable	(194)	(76)
Prepaid Expenses	(9,468)	8,946
Deposits and Construction Escrow	105,596	(21,511)
Accounts Payable	75,584	(7,252)
Accrued Payroll and Payroll Taxes	3,576	(47,312)
Deferred Compensation Plan Liability	-	22,985
Other Accrued Liabilities	(287,260)	(52,618)
Net Cash Provided (Used) by Operating Activities	(478,732)	197,666
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(148,928)	(90,511)
Proceeds from Sale of Investments	-	201,179
Purchase of Investments	(87,575)	(273,343)
Net Cash Used by Investing Activities	(236,503)	(162,675)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net, Borrowings (Repayments) Under Line of Credit	(50,000)	175,000
Payments on Capital Lease Obligation	-	(3,806)
Proceeds on Long-Term Notes Payable	405,060	-
Payments on Long-Term Notes Payable	(35,081)	(20,970)
Net Cash Provided by Financing Activities	319,979	150,224
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,256)	185,215
Cash and Cash Equivalents - Beginning of Year	626,619	441,404
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 231,363	\$ 626,619

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, 2018

	Program Services							Supporting Services			Total	
	Residential Care	Family and Community	West Humboldt Place	Foster Care Specialized	Foster Care Traditional	Early Learning Programs	International	Total	Management and General	Fundraising		Total
FUNCTIONAL EXPENSES												
Salaries	\$ 492,555	\$ 187,597	\$ 47,037	\$ 561,294	\$ 136,910	\$ 1,189,994	\$ 261,939	\$ 2,877,326	\$ 219,320	\$ 224,771	\$ 444,091	\$ 3,321,417
Employee Benefits	49,941	28,938	11,907	64,137	16,035	107,211	21,017	299,186	40,216	26,370	66,586	365,772
Payroll Taxes, Etc.	64,432	11,022	-	39,875	9,969	102,148	17,939	245,385	56,996	23,778	80,774	326,159
Total Salaries and Related Expenses	606,928	227,557	58,944	665,306	162,914	1,399,353	300,895	3,421,897	316,532	274,919	591,451	4,013,348
Professional Fees, including Nurses' Salaries and Related Expenses of Approximately \$641,631	511,418	24,446	17,170	222,922	71,090	223,253	91,522	1,161,821	157,684	71,742	229,426	1,391,247
Supplies	34,308	11,621	2,154	21,993	5,528	120,879	13,206	209,689	56,016	26,133	82,149	291,838
Telephone	18,598	5,236	11,679	10,783	2,696	29,678	8,889	87,559	12,148	4,431	16,579	104,138
Postage and Shipping	1,065	761	-	1,982	496	1,927	864	7,095	1,738	2,416	4,154	11,249
Occupancy	80,595	88,727	26,669	55,013	13,753	108,699	26,337	399,793	40,995	18,914	59,909	459,702
Interest and Bank Service Charges	2,006	1,212	69	356	89	3,202	1,214	8,148	16,713	4,746	21,459	29,607
Rental and Maintenance of Equipment	3,468	3,314	-	3,777	944	30,124	958	42,585	3,284	3,671	6,955	49,540
Printing and Publications	111	206	36	391	97	241	3,672	4,754	191	17,758	17,949	22,703
Travel and Transportation	9,398	13,685	4,320	73,493	22,716	20,947	31,571	176,130	5,166	3,561	8,727	184,857
Conferences, Conventions, and Meetings	1,987	405	711	6,988	1,747	13,015	27	24,880	1,840	74	1,914	26,794
Specific Assistance to Individuals	1,727	18,528	252	432,664	102,440	13,924	132,497	702,032	531	-	531	702,563
Membership Dues	22	25	375	12	4	518	244	1,200	9,768	2,087	11,855	13,055
Insurance	10,518	1,187	8,114	10,418	98	6,898	4,889	42,122	15,258	-	15,258	57,380
Other Expenses	4,116	4,897	1,014	5,900	1,475	13,656	573	31,631	49,844	167	50,011	81,642
Special Event - Cost of Direct Benefit to Participants	-	-	-	-	-	-	-	-	-	226,169	226,169	226,169
Depreciation and Amortization	46,981	36,594	123,140	12,344	3,086	76,818	1,591	300,554	10,153	3,004	13,157	313,711
Bad Debt Expense	-	-	2,779	-	-	-	-	2,779	287	-	287	3,066
Subtotal	1,333,246	438,401	257,426	1,524,342	389,173	2,063,132	618,949	6,624,669	\$ 698,148	\$ 659,792	\$ 1,357,940	\$ 7,982,609
Allocation of Management and General	139,239	45,785	26,884	162,188	39,935	215,176	68,941	698,148	-	-	-	-
Total Functional Expenses	\$ 1,472,485	\$ 484,186	\$ 284,310	\$ 1,686,530	\$ 429,108	\$ 2,278,308	\$ 687,890	\$ 7,322,817				
DIRECTLY RELATED PROGRAM SERVICES REVENUE												
Fees and Grants from Government Agencies:												
DCFS/Medicaid	\$ 1,478,516	\$ -	\$ -	\$ 1,686,530	\$ 429,110	\$ 64,607	\$ -	\$ 3,658,763				\$ 3,658,763
U.S.D.A.	-	-	-	-	-	77,729	-	77,729				77,729
Head Start and Early Head Start	-	-	-	-	-	1,014,724	-	1,014,724				1,014,724
CHA	-	-	33,321	-	-	-	-	33,321				33,321
DHS	-	144,360	-	-	-	368,561	-	512,921				512,921
Ryan White, Titles I & II	-	140,942	-	-	-	-	-	140,942				140,942
City of Chicago HOPWA	-	124,236	34,622	-	-	-	-	158,858				158,858
City of Chicago Department of Family Services	-	-	-	-	-	450,646	-	450,646				450,646
City of Chicago Playground	-	-	-	-	-	100,000	-	100,000				100,000
Total Fees and Grants from Government Agencies	1,478,516	409,538	67,943	1,686,530	429,110	2,076,267	-	6,147,904				6,147,904
Contributions for Programs	25,000	83,750	-	-	-	171,454	166,358	446,562				446,562
Special Events Program Restricted, Net	-	-	-	-	-	-	106,165	106,165				106,165
Client Fees	-	35,788	(9,371)	-	-	228	184,426	211,071				211,071
Total Directly Related Program Services Revenue	\$ 1,503,516	\$ 529,076	\$ 58,572	\$ 1,686,530	\$ 429,110	\$ 2,247,949	\$ 456,949	\$ 6,911,702				\$ 6,911,702

See accompanying Notes to Consolidated Financial Statements.

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

	Program Services							Supporting Services			Total	
	Residential Care	Family and Community	West Humboldt Place	Foster Care Specialized	Foster Care Traditional	Early Learning Programs	International	Total	Management and General	Fundraising		Total
FUNCTIONAL EXPENSES												
Salaries	\$ 404,792	\$ 447,073	\$ 63,947	\$ 401,223	\$ 199,568	\$ 995,274	\$ 206,532	\$ 2,718,409	\$ 281,568	\$ 177,592	\$ 459,160	\$ 3,177,569
Employee Benefits	47,528	58,488	10,095	51,780	27,881	136,599	15,850	348,221	34,827	16,028	50,855	399,076
Payroll Taxes, Etc.	32,459	46,608	6,512	38,726	20,851	103,914	16,134	265,204	26,968	17,987	44,955	310,159
Total Salaries and Related Expenses	484,779	552,169	80,554	491,729	248,300	1,235,787	238,516	3,331,834	343,363	211,607	554,970	3,886,804
Professional Fees, including Nurses' Salaries and Related Expenses of Approximately \$602,093	413,177	18,746	11,392	131,502	56,450	155,794	52,878	839,939	106,182	55,527	161,709	1,001,648
Supplies	28,073	14,396	967	14,035	7,557	80,001	9,649	154,678	43,735	22,212	65,947	220,625
Telephone	15,747	16,696	8,612	8,864	4,773	14,274	7,681	76,647	7,146	4,545	11,691	88,338
Postage and Shipping	1,596	1,592	62	1,095	590	397	307	5,639	1,323	1,346	2,669	8,308
Occupancy	53,122	148,253	12,293	44,444	23,931	59,582	24,979	366,604	40,407	18,806	59,213	425,817
Interest and Bank Service Charges	633	363	2,729	212	114	888	1,001	5,940	14,240	6,564	20,804	26,744
Rental and Maintenance of Equipment	3,088	9,857	290	2,850	1,534	12,181	991	30,791	4,578	3,248	7,826	38,617
Printing and Publications	521	234	453	462	248	581	1,017	3,516	336	15,927	16,263	19,779
Travel and Transportation	3,846	22,412	1,501	47,798	26,602	19,957	43,383	165,499	1,176	948	2,124	167,623
Conferences, Conventions, and Meetings	1,623	2,104	913	2,941	1,583	17,624	32	26,820	718	342	1,060	27,880
Specific Assistance to Individuals	72	14,677	1,661	364,506	89,219	17,447	149,936	637,518	-	150	150	637,668
Membership Dues	26	3,012	2,299	8	4	132	54	5,535	29,723	716	30,439	35,974
Insurance	6,434	1,290	11,101	12,301	186	7,496	6,010	44,818	17,445	-	17,445	62,263
Other Expenses	3,731	4,211	56	1,562	849	4,158	1,793	16,360	7,725	1,141	8,866	25,226
Special Event - Cost of Direct Benefit to Participants	-	-	-	-	-	-	-	-	-	181,458	181,458	181,458
Depreciation and Amortization	45,736	40,610	134,405	10,563	5,687	72,877	1,939	311,817	11,409	3,518	14,927	326,744
Bad Debt Expense	-	6,318	2,689	-	-	4,118	-	13,125	-	-	-	13,125
Subtotal	1,062,204	856,940	271,977	1,134,872	467,627	1,703,294	540,166	6,037,080	\$ 629,506	\$ 528,055	\$ 1,157,561	\$ 7,194,641
Allocation of Management and General	110,215	88,915	28,220	117,755	48,521	176,734	59,146	629,506	-	-	-	-
Total Functional Expenses	\$ 1,172,419	\$ 945,855	\$ 300,197	\$ 1,252,627	\$ 516,148	\$ 1,880,028	\$ 599,312	\$ 6,666,586				
DIRECTLY RELATED PROGRAM SERVICES REVENUE												
Fees and Grants from Government Agencies:												
DCFS/Medicaid	\$ 1,174,328	\$ 31,856	\$ -	\$ 1,248,686	\$ 536,226	\$ 64,473	\$ -	\$ 3,055,569				\$ 3,055,569
U.S.D.A.	-	-	-	-	-	75,520	-	75,520				75,520
Head Start and Early Head Start	-	200,505	-	-	-	652,946	-	853,451				853,451
CHA	-	-	37,500	-	-	-	-	37,500				37,500
DHS	-	48,015	-	-	-	395,367	-	443,382				443,382
Ryan White, Titles I & II	-	131,141	5,390	-	-	20,232	-	156,763				156,763
City of Chicago CDBG	-	16,312	-	-	-	-	-	16,312				16,312
City of Chicago HOPWA	-	114,839	23,513	-	-	-	-	138,352				138,352
Chicago Public Schools	-	87,600	-	-	-	414,000	-	501,600				501,600
Total Fees and Grants from Government Agencies	1,174,328	630,268	66,403	1,248,686	536,226	1,622,538	-	5,278,449				5,278,449
Contributions for Programs	25,000	95,701	-	-	-	109,292	572,832	802,825				802,825
Special Events Program Restricted, Net	-	-	-	-	-	25,000	104,157	129,157				129,157
Client Fees	-	19,306	20,109	-	-	764	217,036	257,215				257,215
Total Directly Related Program Services Revenue	\$ 1,199,328	\$ 745,275	\$ 86,512	\$ 1,248,686	\$ 536,226	\$ 1,757,594	\$ 894,025	\$ 6,467,646				\$ 6,467,646

See accompanying Notes to Consolidated Financial Statements.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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

Use of Estimates in Preparing Consolidated Financial Statements

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

Principles of Consolidation

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

The Children's Place Housing Corporation

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

The Children's Place Home Health Corporation

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017, cash equivalents consist of interest earning money market accounts. The Association maintains its cash and cash equivalents on deposit with various financial institutions and investment companies, which at times may exceed federally insured limits.

Accounts Receivable

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

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

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

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

Investments

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

Property and Equipment

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

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

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

Impairment of Long-Lived Assets

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

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.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

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

Allocation of Costs

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

Consolidated Financial Statement Presentation

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

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

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

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017.

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, 2018 and 2017.

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.

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Association for annual periods beginning after December 15, 2018. Early adoption is permitted.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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.

Financial Statements of Nonprofit Entities

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

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

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 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.

West Humbolt Place

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

Foster Care Program – Specialized, Traditional, Adoption

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

Early Learning Programs

The Early Learning Center serves 133 children from infancy through age five in a centered based and a home based early childhood education program, 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.

**CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

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, 2018 and 2017 are all classified as current. Based on management's assessment of the collectibility of specific promises to give, no provision has been made for uncollectible amounts as of June 30, 2018 and 2017.

NOTE 4 INVESTMENTS

Investments as of June 30 are summarized as follows:

	2018		Unrealized Appreciation (Depreciation)
	Fair Value	Cost	
Mutual Funds:			
Large Value	\$ 63,029	\$ 57,219	\$ 5,810
Large Growth	216,607	195,432	21,175
Large Blend	449,921	424,780	25,141
Mid Value	53,137	53,644	(507)
Mid Blend	95,236	85,112	10,124
Intermediate Term Bond	36,222	37,706	(1,484)
Nontraditional Bond	28,185	28,209	(24)
Short Term Bond	57,688	59,347	(1,659)
Exchange Traded Funds	345,457	268,993	76,464
Corporate Bonds	42,000	41,659	341
Total	<u>\$ 1,387,482</u>	<u>\$ 1,252,101</u>	<u>\$ 135,381</u>

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

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

Investment income includes the following:

	2018	2017
Interest and Dividend Income	\$ 92,404	\$ 52,260
Investment Fees	(12,003)	(10,802)
Unrealized Gains (Losses), Net	23,853	100,464
Total	<u>\$ 104,254</u>	<u>\$ 141,922</u>

As of June 30, 2018 and 2017, cash and cash equivalents held in the Association's investment funds was \$162,511 and \$169,956, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

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

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

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

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

	2018			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual Funds:				
Large Value	\$ 63,029	\$ 63,029	\$ -	\$ -
Large Growth	216,607	216,607	-	-
Large Blend	449,921	449,921	-	-
Mid Value	53,137	53,137	-	-
Mid Blend	95,236	95,236	-	-
Intermediate Term Bond	36,222	36,222	-	-
Nontraditional Bond	28,185	28,185	-	-
Short Term Bond	57,688	57,688	-	-
Exchange Traded Funds	345,457	345,457	-	-
Corporate Bonds	42,000	-	42,000	-
Total Investments	<u>1,387,482</u>	<u>1,345,482</u>	<u>42,000</u>	<u>-</u>
Investments Held for Deferred Compensation Plan:				
Mutual Funds:				
Government Money Market	705	705	-	-
Large Growth	18,953	18,953	-	-
Large Blend	18,963	18,963	-	-
Large Value	9,350	9,350	-	-
Mid Blend	8,822	8,822	-	-
Intermediate Term Bond	3,567	3,567	-	-
Short Term Bond	14,997	14,997	-	-
Exchange Traded Funds	24,015	24,015	-	-
Total Investments Held for Deferred Compensation Plan	<u>99,372</u>	<u>99,372</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,486,854</u>	<u>\$ 1,444,854</u>	<u>\$ 42,000</u>	<u>\$ -</u>
Deferred Compensation Plan Liability	<u>\$ 99,372</u>	<u>\$ 99,372</u>	<u>\$ -</u>	<u>\$ -</u>

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

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

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

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
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JUNE 30, 2018 AND 2017

NOTE 6 LINE OF CREDIT

The Association has a line of credit agreement that provides borrowing of up to \$450,000, under which \$125,000 and \$175,000 was outstanding at June 30, 2018 and 2017. Additionally, \$105,326 of this line of credit was pledged and restricted under a letter of credit established with the Illinois Housing Authority for the West Humboldt Place Project. This letter of credit expired in October 2017, one year subsequent of the project completion date. The line of credit agreement expired on May 5, 2018, and was subsequently renewed for a one-year period expiring on May 5, 2019. Amounts drawn against the line of credit are payable on demand and bear interest at prime (5.00% and 4.25% at June 30, 2018 and 2017, respectively), subject to a 4.00% minimum rate. The line of credit is collateralized by substantially all of the Association's assets.

NOTE 7 DEBT

Mortgage and term notes payable consist of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Illinois Housing Development Authority, term note, monthly payments of \$1,608, including interest at 1.00% per year, due in December 2021, secured by property on Augusta Boulevard in Chicago, Illinois.	\$ 67,900	\$ 86,419
Illinois Housing Development Authority, term note, monthly payments of \$1,305, noninterest bearing, due in June 2037, secured by mortgage on West Humboldt Place Property.	297,504	163,179
Illinois Facilities Fund, term note, monthly payments of \$2,101, including interest at 5.625% per year, due in June 2023, secured by mortgage on property on Humboldt Blvd. in Chicago, Illinois.	<u>254,173</u>	<u>-</u>
Total	619,577	249,598
Less: Current Portion	<u>45,566</u>	<u>34,177</u>
Long-Term Portion	<u>\$ 574,011</u>	<u>\$ 215,421</u>

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 DEBT (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 45,566
2020	46,405
2021	47,276
2022	40,135
2023	220,990
Thereafter	219,205
Total	<u>\$ 619,577</u>

Interest expense recognized in 2018 and 2017 was \$13,679 and \$8,068, respectively.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Restricted for Purpose:		
For Acquisition and Improvement of Property to Accommodate Early Learning Center and Family Care Programs, as well as Funding of Said Programs	\$ 409,077	\$ 424,862
International Program	-	245,868
Residential Program	79,300	54,300
West Humboldt Place	105,221	107,171
Total	<u>\$ 593,598</u>	<u>\$ 832,201</u>

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Payments for Property Acquisition, Renovation, Building, and Related Equipment Costs	\$ -	\$ 14,095
Payments for Family Care Services	44,176	10,885
Payments for Early Learning Center Services	201,813	122,434
Payments for International Program	245,868	-
Payments for West Humboldt Place	1,950	52,989
Total	<u>\$ 493,807</u>	<u>\$ 200,403</u>

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
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JUNE 30, 2018 AND 2017

NOTE 10 CASH FLOW DISCLOSURES

Cash paid for interest during 2018 and 2017 was \$13,679, and \$8,068, respectively. No cash was paid for income taxes during either year.

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

NOTE 11 LEASE COMMITMENTS

The Association leases office space, miscellaneous equipment, and rental apartments under operating leases expiring in various years through 2024. 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.

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 214,171
2020	157,704
2021	157,704
2022	157,704
2023	157,704
Thereafter	55,563
Total	<u><u>\$ 900,550</u></u>

Total rental expense on these leases for the years ended June 30, 2018 and 2017 was \$216,368 and \$225,304, respectively.

NOTE 12 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 14 for discussion of the estimate included in the consolidated statements of financial position.

NOTE 13 SIGNIFICANT CONCENTRATIONS

Approximately 53% and 44% of the Association's unrestricted revenues for the years ended June 30, 2018 and 2017, were from one department of the state of Illinois.

Amounts due from this agency represent -0-% and 25% of the total outstanding accounts receivable balance as of June 30, 2018 and 2017, respectively.

CHILDREN'S PLACE ASSOCIATION AND ITS AFFILIATED ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 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 \$94,682 and \$348,859 as of June 30, 2018 and 2017, respectively, has been included in Other Accrued Liabilities on the consolidated statements of financial position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on management's assessment of the estimated amounts of accounts receivable that may not be collected. If actual write offs are higher than the historical experience, management's estimates of the allowance could be adversely affected. An allowance of \$25,000 as of June 30, 2018 and 2017 has been netted against accounts receivable on the consolidated statements of financial position.

NOTE 15 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 \$5,000 and \$15,000 for the years ended June 30, 2018 and 2017, respectively. The value of the plan assets held by the Association for the deferred compensation plan was \$99,372 and \$89,224 at June 30, 2018 and 2017, respectively. The corresponding liability to the plan participant was \$99,372 and \$89,224 at June 30, 2018 and 2017, respectively.

NOTE 16 RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2017 financial statement amounts in order to conform to the June 30, 2018 presentation. These reclassifications have no impact on the total assets, net assets, or changes in net assets previously reported.

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 27, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to March 27, 2019, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the consolidated financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, 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, 2018.

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