

**THE HARBOUR, INC.**

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



• CERTIFIED PUBLIC ACCOUNTANTS  
• BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Harbour, Inc.  
Park Ridge, Illinois

We have audited the accompanying statements of financial position of The Harbour, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harbour, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of program revenues and program expenses are presented for the purpose of additional analysis and are not a required part of the financial statements of The Harbour, Inc. as of June 30, 2011. This information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*BIK & CO, LLP*

September 26, 2011

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**THE HARBOUR, INC.**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

| <u>Assets</u>                         | <u>2011</u>              | <u>2010</u>              |
|---------------------------------------|--------------------------|--------------------------|
| Current assets:                       |                          |                          |
| Cash and cash equivalents             | \$ 1,980                 | \$ 2,063                 |
| Short-term investments                | 54,083                   | 53,362                   |
| Accounts receivable                   | 140,233                  | 72,440                   |
| Grants receivable                     | -                        | 55,900                   |
| Prepaid expenses                      | <u>34,341</u>            | <u>28,322</u>            |
| Total current assets                  | 230,637                  | 212,087                  |
| Property and equipment, net           | <u>403,250</u>           | <u>437,362</u>           |
| Total assets                          | <u><u>633,887</u></u>    | <u><u>649,449</u></u>    |
| <br><u>Liabilities and Net Assets</u> |                          |                          |
| Current liabilities:                  |                          |                          |
| Accounts payable                      | 14,612                   | 13,967                   |
| Accrued payroll                       | 66,819                   | 67,198                   |
| Rent payable                          | 43,117                   | 35,268                   |
| Other current liabilities             | 21,695                   | 18,327                   |
| Current portion of mortgage payable   | 10,724                   | 10,152                   |
| Current portion of bank note payable  | 7,143                    | -                        |
| Bank line of credit                   | <u>113,293</u>           | <u>258,129</u>           |
| Total current liabilities             | <u>277,403</u>           | <u>403,041</u>           |
| Long-term liabilities:                |                          |                          |
| Bank note payable                     | 42,857                   | 50,000                   |
| Mortgage payable                      | <u>152,941</u>           | <u>163,615</u>           |
| Total long-term liabilities           | <u>195,798</u>           | <u>213,615</u>           |
| Total liabilities                     | <u>473,201</u>           | <u>616,656</u>           |
| Net assets:                           |                          |                          |
| Unrestricted (deficit)                | 107,459                  | (20,196)                 |
| Temporarily restricted                | <u>53,227</u>            | <u>52,989</u>            |
| Total net assets                      | <u>160,686</u>           | <u>32,793</u>            |
| Total liabilities and net assets      | <u><u>\$ 633,887</u></u> | <u><u>\$ 649,449</u></u> |

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
**Statements of Activities**  
For the Years Ended June 30, 2011 and 2010

|                                                                                  | <u>2011</u>       | <u>2010</u>      |
|----------------------------------------------------------------------------------|-------------------|------------------|
| Public support revenue:                                                          |                   |                  |
| Contributions                                                                    | \$ 306,724        | \$ 314,055       |
| Special events (net of direct costs of \$23,092<br>in 2011 and \$13,225 in 2010) | <u>33,568</u>     | <u>33,635</u>    |
| Total public support                                                             | <u>340,292</u>    | <u>347,690</u>   |
| Purchase of service and grant revenue:                                           |                   |                  |
| State contracts                                                                  | 1,132,572         | 1,191,075        |
| Private contracts                                                                | 33,404            | 24,169           |
| County contracts                                                                 | 17,626            | -                |
| Federal grants                                                                   | 400,007           | 400,008          |
| State grants                                                                     | 142,630           | 151,488          |
| Pass-through grant                                                               | 5,000             | 20,000           |
| Community development block grant                                                | 35,076            | 31,577           |
| Township grants                                                                  | 34,659            | 39,940           |
| Local government grants                                                          | 4,500             | 11,650           |
| Interest and other                                                               | <u>25</u>         | <u>3</u>         |
| Total purchase of service and grant revenue                                      | <u>1,805,499</u>  | <u>1,869,910</u> |
| Net assets released from restrictions                                            | <u>45,483</u>     | <u>2,381</u>     |
| Total unrestricted revenues                                                      | <u>2,191,274</u>  | <u>2,219,981</u> |
| Program expenses:                                                                |                   |                  |
| Safe Harbour Emergency Shelter                                                   | 138,845           | 172,331          |
| Youth in Transition                                                              | 1,073,464         | 1,122,159        |
| Transitional Living - Community                                                  | 321,084           | 329,490          |
| Independent Living                                                               | 58,509            | 63,843           |
| Successful Teens/Effective Parents                                               | <u>172,217</u>    | <u>229,041</u>   |
| Total program expenses                                                           | <u>1,764,119</u>  | <u>1,916,864</u> |
| Support services:                                                                |                   |                  |
| Management and general                                                           | 238,804           | 245,432          |
| Development                                                                      | <u>60,696</u>     | <u>102,843</u>   |
| Total support services                                                           | <u>299,500</u>    | <u>348,275</u>   |
| Total expenses                                                                   | <u>2,063,619</u>  | <u>2,265,139</u> |
| Increase (decrease) in unrestricted net assets                                   | <u>127,655</u>    | <u>(45,158)</u>  |
| Changes in temporarily restricted net assets:                                    |                   |                  |
| Contributions                                                                    | 45,721            | 1,355            |
| Net assets released from restrictions                                            | <u>(45,483)</u>   | <u>(2,381)</u>   |
| Increase (decrease) in temporarily restricted<br>net assets                      | <u>238</u>        | <u>(1,026)</u>   |
| Change in net assets                                                             | 127,893           | (46,184)         |
| Beginning net assets                                                             | <u>32,793</u>     | <u>78,977</u>    |
| Ending net assets                                                                | <u>\$ 160,686</u> | <u>\$ 32,793</u> |

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2011 and 2010**

|                                  | 2011                                 |                        |                                      |                       |                                          |
|----------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|------------------------------------------|
|                                  | Program expenses                     |                        |                                      |                       |                                          |
|                                  | Safe Harbour<br>Emergency<br>Shelter | Youth in<br>Transition | Transitional<br>Living-<br>Community | Independent<br>Living | Successful<br>Teens/Effective<br>Parents |
| Salaries and wages               | 80,515                               | 683,894                | 183,114                              | 30,218                | 100,727                                  |
| Employee benefits                | 5,757                                | 27,341                 | 10,815                               | 1,223                 | 8,880                                    |
| Payroll taxes                    | 9,719                                | 70,366                 | 19,522                               | 3,123                 | 9,718                                    |
| Depreciation                     | 9,654                                | 53                     | 17,242                               | -                     | -                                        |
| Dues and subscriptions           | -                                    | -                      | -                                    | -                     | -                                        |
| Educational expenses             | -                                    | 9,762                  | 365                                  | -                     | -                                        |
| Fees                             | -                                    | -                      | -                                    | -                     | -                                        |
| Insurance                        | 354                                  | 7,932                  | 1,669                                | 1,669                 | 3,324                                    |
| Interest expense                 | 9,995                                | -                      | 9,282                                | -                     | -                                        |
| Meetings                         | -                                    | -                      | -                                    | -                     | -                                        |
| Miscellaneous                    | -                                    | -                      | -                                    | -                     | -                                        |
| Occupancy                        | 10,320                               | 174,675                | 43,664                               | 18,285                | 38,135                                   |
| Equipment                        | 572                                  | 641                    | 271                                  | -                     | 1,003                                    |
| Postage                          | -                                    | -                      | -                                    | -                     | -                                        |
| Printing                         | -                                    | -                      | -                                    | -                     | -                                        |
| Professional fees                | 1,328                                | 2,400                  | 1,072                                | -                     | -                                        |
| Repairs and maintenance          | 5,725                                | 1,752                  | 7,762                                | 300                   | -                                        |
| Staff and board development      | 943                                  | 520                    | 60                                   | -                     | -                                        |
| Subcontract services             | -                                    | -                      | -                                    | -                     | -                                        |
| Supplies and activities          | 2,790                                | 64,813                 | 20,901                               | 3,245                 | 9,464                                    |
| Transportation                   | 1,173                                | 29,315                 | 5,345                                | 446                   | 966                                      |
| <b>Total functional expenses</b> | <b>\$ 138,845</b>                    | <b>\$ 1,073,464</b>    | <b>\$ 321,084</b>                    | <b>\$ 58,509</b>      | <b>\$ 172,217</b>                        |

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2011 and 2010**

|                         |                           | 2011             |                   |                       |  |  |
|-------------------------|---------------------------|------------------|-------------------|-----------------------|--|--|
| <u>Program expenses</u> |                           | <u>Support</u>   |                   |                       |  |  |
| Total                   | Management<br>and General | Development      | Total             | Organization<br>Total |  |  |
| \$ 1,078,468            | \$ 87,632                 | \$ 40,499        | \$ 128,131        | \$ 1,206,599          |  |  |
| 54,016                  | 2,910                     | 986              | 3,896             | 57,912                |  |  |
| 112,448                 | 8,618                     | 4,022            | 12,640            | 125,088               |  |  |
| 26,949                  | 6,868                     | 2,191            | 9,059             | 36,008                |  |  |
| -                       | 3,870                     | 202              | 4,072             | 4,072                 |  |  |
| 10,127                  | -                         | 1                | 1                 | 10,128                |  |  |
| -                       | 7,425                     | 1,953            | 9,378             | 9,378                 |  |  |
| 14,948                  | 2,118                     | 830              | 2,948             | 17,896                |  |  |
| 19,277                  | -                         | -                | -                 | 19,277                |  |  |
| -                       | 86                        | 25               | 111               | 111                   |  |  |
| -                       | -                         | -                | -                 | -                     |  |  |
| 285,079                 | 2,196                     | 2,713            | 4,909             | 289,988               |  |  |
| 2,487                   | 2,737                     | 452              | 3,189             | 5,676                 |  |  |
| -                       | 1,902                     | 362              | 2,264             | 2,264                 |  |  |
| -                       | 883                       | 378              | 1,261             | 1,261                 |  |  |
| 4,800                   | 107,188                   | 5,101            | 112,289           | 117,089               |  |  |
| 15,539                  | 25                        | 1                | 26                | 15,565                |  |  |
| 1,523                   | -                         | -                | -                 | 1,523                 |  |  |
| -                       | -                         | -                | -                 | -                     |  |  |
| 101,213                 | 4,346                     | 707              | 5,053             | 106,266               |  |  |
| 37,245                  | -                         | 273              | 273               | 37,518                |  |  |
| <u>\$ 1,764,119</u>     | <u>\$ 238,804</u>         | <u>\$ 60,696</u> | <u>\$ 299,500</u> | <u>\$ 2,063,619</u>   |  |  |

(continued)

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2011 and 2010**

|                                  | 2010                                 |                        |                                      |                       |                                          |
|----------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|------------------------------------------|
|                                  | Program expenses                     |                        |                                      |                       |                                          |
|                                  | Safe Harbour<br>Emergency<br>Shelter | Youth in<br>Transition | Transitional<br>Living-<br>Community | Independent<br>Living | Successful<br>Teens/Effective<br>Parents |
| Salaries and wages               | \$ 101,716                           | \$ 711,050             | \$ 186,524                           | \$ 29,610             | \$ 96,813                                |
| Employee benefits                | 13,697                               | 66,723                 | 14,681                               | 2,881                 | 7,068                                    |
| Payroll taxes                    | 9,476                                | 63,100                 | 17,103                               | 2,627                 | 8,281                                    |
| Depreciation                     | 7,191                                | 1,600                  | 18,478                               | -                     | -                                        |
| Dues and subscriptions           | -                                    | -                      | -                                    | -                     | -                                        |
| Educational expenses             | -                                    | 3,043                  | 734                                  | -                     | -                                        |
| Fees                             | -                                    | -                      | -                                    | -                     | -                                        |
| Insurance                        | 780                                  | 7,942                  | 1,584                                | 1,584                 | 3,168                                    |
| Interest expense                 | 12,775                               | -                      | 10,691                               | -                     | -                                        |
| Meetings                         | -                                    | -                      | -                                    | -                     | -                                        |
| Miscellaneous                    | 280                                  | 1,463                  | 153                                  | -                     | 85                                       |
| Occupancy                        | 10,618                               | 161,853                | 48,414                               | 23,874                | 98,851                                   |
| Equipment                        | 969                                  | 1,087                  | 1,223                                | 2,083                 | 6,582                                    |
| Postage                          | -                                    | -                      | -                                    | -                     | -                                        |
| Printing                         | -                                    | -                      | -                                    | -                     | -                                        |
| Professional fees                | 1,729                                | 3,785                  | 1,337                                | -                     | 134                                      |
| Repairs and maintenance          | 6,495                                | 2,948                  | 6,766                                | -                     | 587                                      |
| Staff and board development      | 629                                  | 60                     | 60                                   | -                     | -                                        |
| Subcontract services             | -                                    | -                      | -                                    | -                     | -                                        |
| Supplies and activities          | 3,931                                | 68,621                 | 16,359                               | 896                   | 4,577                                    |
| Transportation                   | 2,045                                | 28,884                 | 5,383                                | 288                   | 2,895                                    |
| <b>Total functional expenses</b> | <b>\$ 172,331</b>                    | <b>\$ 1,122,159</b>    | <b>\$ 329,490</b>                    | <b>\$ 63,843</b>      | <b>\$ 229,041</b>                        |

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2011 and 2010**

|                  |           | 2010                      |             |            |                       |  |  |
|------------------|-----------|---------------------------|-------------|------------|-----------------------|--|--|
| Program expenses |           | Support                   |             |            |                       |  |  |
| Total            |           | Management<br>and General | Development | Total      | Organization<br>Total |  |  |
| \$               | 1,125,713 | \$ 99,522                 | \$ 78,646   | \$ 178,168 | \$ 1,303,881          |  |  |
|                  | 105,050   | 9,977                     | 3,633       | 13,610     | 118,660               |  |  |
|                  | 100,587   | 9,543                     | 6,427       | 15,970     | 116,557               |  |  |
|                  | 27,269    | 12,277                    | 2,189       | 14,466     | 41,735                |  |  |
|                  | -         | 8,152                     | 736         | 8,888      | 8,888                 |  |  |
|                  | 3,777     | -                         | -           | -          | 3,777                 |  |  |
|                  | -         | 6,775                     | 1,535       | 8,310      | 8,310                 |  |  |
|                  | 15,058    | 1,870                     | 770         | 2,640      | 17,698                |  |  |
|                  | 23,466    | -                         | -           | -          | 23,466                |  |  |
|                  | -         | -                         | 25          | 25         | 25                    |  |  |
|                  | 1,981     | -                         | -           | -          | 1,981                 |  |  |
|                  | 343,610   | 3,350                     | 2,491       | 5,841      | 349,451               |  |  |
|                  | 11,944    | 2,760                     | 417         | 3,177      | 15,121                |  |  |
|                  | -         | 3,195                     | 454         | 3,649      | 3,649                 |  |  |
|                  | -         | 998                       | 52          | 1,050      | 1,050                 |  |  |
|                  | 6,985     | 74,143                    | 3,904       | 78,047     | 85,032                |  |  |
|                  | 16,796    | -                         | -           | -          | 16,796                |  |  |
|                  | 749       | -                         | 390         | 390        | 1,139                 |  |  |
|                  | -         | -                         | -           | -          | -                     |  |  |
|                  | 94,384    | 12,382                    | 886         | 13,268     | 107,652               |  |  |
|                  | 39,495    | 488                       | 288         | 776        | 40,271                |  |  |
| \$               | 1,916,864 | \$ 245,432                | \$ 102,843  | \$ 348,275 | \$ 2,265,139          |  |  |

The accompanying notes to the financial statements are an integral part of these statements.



**THE HARBOUR, INC.**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2011 and 2010

|                                                                                                       | 2011        | 2010        |
|-------------------------------------------------------------------------------------------------------|-------------|-------------|
| Cash flows from operating activities:                                                                 |             |             |
| Change in net assets                                                                                  | \$ 127,893  | \$ (46,184) |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |             |             |
| Depreciation                                                                                          | 36,008      | 41,735      |
| Loss on disposal of fixed assets                                                                      | 389         | -           |
| (Increase) decrease in accounts receivable                                                            | (67,793)    | 12,165      |
| (Increase) decrease in grants receivable                                                              | 55,900      | (55,900)    |
| (Increase) decrease in prepaid expenses                                                               | (6,019)     | 31,119      |
| (Increase) decrease in other assets                                                                   | -           | 5,976       |
| Increase (decrease) in accounts payable                                                               | 645         | (10,670)    |
| (Decrease) in accrued payroll                                                                         | (379)       | (38,150)    |
| Increase in rent payable                                                                              | 7,849       | 5,286       |
| Increase (decrease) in other liabilities                                                              | 3,368       | (12,947)    |
| (Decrease) in deferred compensation payable                                                           | -           | (5,342)     |
| Total adjustments                                                                                     | 29,968      | (26,728)    |
| Net cash provided (used) by operating activities                                                      | 157,861     | (72,912)    |
| Cash flows from investing activities:                                                                 |             |             |
| Purchase of certificate of deposit                                                                    | (721)       | (53,362)    |
| Maturity of certificate of deposit                                                                    | -           | 52,007      |
| Purchases of fixed assets                                                                             | (2,285)     | (5,435)     |
| Net cash used by investing activities                                                                 | (3,006)     | (6,790)     |
| Cash flows from financing activities:                                                                 |             |             |
| Proceeds from bank line of credit                                                                     | 1,271,231   | 1,698,504   |
| Repayments on bank line of credit                                                                     | (1,416,067) | (1,610,152) |
| Principal payments on mortgage loan                                                                   | (10,102)    | (8,743)     |
| Net cash provided (used) by financing activities                                                      | (154,938)   | 79,609      |
| Net decrease in cash and cash equivalents                                                             | (83)        | (93)        |
| Cash and cash equivalents at beginning of year                                                        | 2,063       | 2,156       |
| Cash and cash equivalents at end of year                                                              | \$ 1,980    | \$ 2,063    |
| <u>Supplemental information:</u>                                                                      |             |             |
| Interest paid                                                                                         | \$ 19,277   | \$ 23,514   |

The accompanying notes to the financial statements are an integral part of these statements.

**THE HARBOUR, INC.**  
Notes to Financial Statements  
June 30, 2011 and 2010

1. Nature of Organization

The Harbour, Inc. (the "Organization") is a not-for-profit corporation organized in 1971. The Organization provides an array of services promoting the availability of safe environments designed to encourage stability and strengthen family unity. These services are provided to abused, neglected, runaway and homeless adolescents with placement service for girls 12 to 21 years old. Placement services are comprehensive and include the basics of food, shelter, clothing, counseling, milieu therapy, basic living skills and individualized education in the community. The Organization offers placement services through five programs: Safe Harbour Emergency Shelter, Youth in Transition, Transitional Living – Community, Independent Living and Successful Teens/Effective Parents. The Organization received a significant portion of their revenue from the Illinois Department of Children and Family Services. The remainder of the Organization's revenue is from contributions, special events, various other government contracts, interest income, and miscellaneous income.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified 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.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization, and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted net assets by the Organization.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**THE HARBOUR, INC.**  
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

The Organization follows FASB ASC 958-210-45 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS 117)). Under FASB ASC 958-210-45, the Organization is required 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) based upon the existence or absence of donor-imposed restrictions.

The Organization also follows FASB ASC 958-605-05 (formerly Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (SFAS 116)). In accordance with FASB ASC 958-605-05, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization received contributions of \$45,721 and \$1,355, respectively, with donor-imposed restrictions that resulted in temporarily restricted net assets for the years ended June 30, 2011 and 2010.

Cash and Cash Equivalents

Cash maintained in bank accounts and cash invested in short-term investments with maturities at date of purchase of 90 days or less are considered cash and cash equivalents.

Short-term Investments

Short-term investments consist of a certificate of deposit with maturity of greater than three months as of June 30, 2011. The certificate of deposit is stated at cost, which approximates fair value at the reporting date.

Property and Equipment and Accumulated Depreciation

Property and equipment are recorded at cost. The Organization follows the policy of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is provided over the estimated useful lives of the assets of 5 to 20 years under the straight-line method.

Revenue Recognition

The majority of revenues generated and support received by the Organization is in the form of fees and grants from government agencies. These amounts are recognized as revenue in the fiscal year in which the program services are rendered.

**THE HARBOUR, INC.**  
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Contribution Revenue

Contributions are recognized as revenues or gains in the period that cash or property is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is treated as a tax-exempt corporation as permitted by section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Reclassifications

Certain items in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The amount of these reclassifications was not material.

Subsequent events

Management has evaluated subsequent events through September 26, 2011, which is the date the financial statements were available to be issued.

Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for interim and annual financial statements ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU).

**THE HARBOUR, INC.**  
Notes to Financial Statements

3. Cash and Cash Equivalents

At June 30, 2011 and 2010, cash and cash equivalents include one checking account, one brokerage money market account and two household cash accounts. The brokerage money market account earns interest at a money market rate. These accounts are covered up to the limits of depository insurance.

Cash and cash equivalents consist of the following at June 30, 2011 and 2010:

|                   | 2011     | 2010     |
|-------------------|----------|----------|
| Brokerage account | \$ 1,461 | \$ 1,461 |
| Household cash    | 519      | 602      |
|                   | \$ 1,980 | \$ 2,063 |

4. Short-term Investments

At June 30, 2011 and 2010, short-term investments consist of a certificate of deposit in the amount of \$54,083 and \$53,362, respectively. The certificate of deposit as of June 30, 2011 matures on July 23, 2011 and bears an interest rate of 1.342%.

5. Fair Value Measurements

FASB ASC 820-10 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

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

Level 2 – Inputs to the valuation 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
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**THE HARBOUR, INC.**  
Notes to Financial Statements

5. Fair Value Measurements (continued)

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.

The following is a description of the valuation methodologies used to measure the Organization's investments at fair market value:

Certificate of deposit – Valued at cost, which approximates fair value at the reporting date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. 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.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2011 and 2010:

| <u>2011</u>            | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|------------------------|------------------|----------------|----------------|------------------|
| Certificate of deposit | \$ <u>54,083</u> | \$ <u>-</u>    | \$ <u>-</u>    | \$ <u>54,083</u> |
|                        | \$ <u>54,083</u> | \$ <u>-</u>    | \$ <u>-</u>    | \$ <u>54,083</u> |
|                        |                  |                |                |                  |
| <u>2010</u>            | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
| Certificate of deposit | \$ <u>53,362</u> | \$ <u>-</u>    | \$ <u>-</u>    | \$ <u>53,362</u> |
|                        | \$ <u>53,362</u> | \$ <u>-</u>    | \$ <u>-</u>    | \$ <u>53,362</u> |

**THE HARBOUR, INC.**  
Notes to Financial Statements

6. Accounts Receivable and Revenue Concentration

At June 30, 2011 and 2010, 39% and 2%, respectively, of total accounts receivable are due from the Illinois Department of Children and Family Services. During the year ended June 30, 2011 and 2010, 51% and 54%, respectively, of total revenue came from the Illinois Department of Children and Family Services. At June 30, 2011 and 2010, 30% and 48%, respectively, of total accounts receivable are due from the Illinois Department of Human Services. During the years ended June 30, 2011 and 2010, respectively, 18% of total revenue came from the Department of Health and Human Services.

7. Property and Equipment and Accumulated Depreciation

Property and equipment consist of the following at June 30, 2011 and 2010:

|                             | <u>2011</u>       | <u>2010</u>       |
|-----------------------------|-------------------|-------------------|
| Assets:                     |                   |                   |
| Land                        | \$ 102,765        | \$ 102,765        |
| Building and improvements   | 637,670           | 638,108           |
| Furniture and fixtures      | 107,446           | 107,446           |
| Office equipment            | 81,321            | 81,321            |
| Vehicles                    | <u>8,642</u>      | <u>8,642</u>      |
| Total                       | <u>937,844</u>    | <u>938,282</u>    |
| Accumulated depreciation:   |                   |                   |
| Building and improvements   | 352,490           | 333,217           |
| Furniture and fixtures      | 104,151           | 98,808            |
| Office equipment            | 69,311            | 60,253            |
| Vehicles                    | <u>8,642</u>      | <u>8,642</u>      |
| Total                       | <u>534,594</u>    | <u>500,920</u>    |
| Property and equipment, net | <u>\$ 403,250</u> | <u>\$ 437,362</u> |

**THE HARBOUR, INC.**  
Notes to Financial Statements

8. Long-term Debt – Mortgage

The Organization has a mortgage loan on a property in Schaumburg, Illinois. The loan has an adjustable interest rate based on the U.S Treasury bill index with a current rate of 6%. Payment of principal and interest in the amount of \$1,688 are due monthly. The mortgage matures on July 1, 2022. Maturities of the mortgage payable subsequent to June 30, 2011 are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u>     |
|-----------------------------|-------------------|
| 2012                        | \$ 10,724         |
| 2013                        | 11,386            |
| 2014                        | 12,088            |
| 2015                        | 12,834            |
| 2016                        | 13,625            |
| 2017 and thereafter         | 103,008           |
| Total                       | <u>163,665</u>    |
| Less: current portion       | (10,724)          |
| Long-term portion           | <u>\$ 152,941</u> |

9. Bank Line of Credit

As of June 30, 2011 and 2010 the Organization had a \$225,000 and \$275,000, respectively, secured line of credit with First American Bank. The Organization's building in Des Plaines, Illinois is pledged as collateral for the line of credit. The interest rate is based on prime plus 2% and interest is due monthly. Commencing February 15, 2011, the Organization shall make regular monthly payments of accrued unpaid interest until January 15, 2012, at which time all outstanding principal and accrued interest shall be due in full. There were outstanding borrowings on the line of credit as of June 30, 2011 and 2010 of \$113,293 and \$258,129, respectively.

10. Bank Note Payable

At June 30, 2011, the Organization has a \$50,000 note payable due to First American Bank. This loan has a variable interest rate based on the prime rate of the bank. This loan matures on July 15, 2011 and is secured by a deposit account held at the bank. At July 15, 2011, the Note Payable was renewed as a 7-year loan; therefore, the current portion, \$7,143, of the bank note is presented as a current liability on the balance sheet. The note will require monthly payments of principal in the amount of \$595 plus interest. Maturities of the bank note payable subsequent to June 30, 2011 are as follows:



**THE HARBOUR, INC.**  
Notes to Financial Statements

10. Bank Note Payable (continued)

| <u>Year ending June 30,</u> | <u>Amount</u>    |
|-----------------------------|------------------|
| 2012                        | \$ 7,143         |
| 2013                        | 7,143            |
| 2014                        | 7,143            |
| 2015                        | 7,143            |
| 2016                        | 7,143            |
| 2017 and thereafter         | 14,285           |
| Total                       | <u>50,000</u>    |
| Less: current portion       | (7,143)          |
| Long-term portion           | <u>\$ 42,857</u> |

11. Retirement Plan

The Organization has an employee retirement plan that qualifies as a deferred salary arrangement under Section 403(b) of the Internal Revenue Code. This plan allows eligible employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization may make a contribution at the discretion of management. There were no employer contributions made for the years ended June 30, 2011 and 2010.

12. Lease Commitments

The Organization has a non-cancelable lease agreement for its office space at 1440 Renaissance Drive in Park Ridge. The lease expires on January 31, 2017. Rent is payable in monthly installments of \$4,658 with an annual increase based on the lease terms. The Organization is also obligated under rental leases for residential apartments occupied by the participants in the Transitional Living Program. Rent is payable in monthly installments ranging from \$1,198 to \$1,900. Rent expense on all leases for the years ended June 30, 2011 and 2010 was \$235,380 and \$293,265, respectively.

The future minimum lease payments subsequent to June 30, 2011 are as follows:

| <u>Year ending June 30</u> | <u>Amount</u>     |
|----------------------------|-------------------|
| 2012                       | \$ 149,331        |
| 2013                       | 107,412           |
| 2014                       | 104,068           |
| 2015                       | 106,479           |
| 2016                       | 86,328            |
| 2017 and thereafter        | 37,793            |
| Total                      | <u>\$ 591,411</u> |

**THE HARBOUR, INC.**  
Notes to Financial Statements

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are available and are to be used for scholarship awards and college tuition. The following items are considered temporarily restricted as of June 30 due to either purpose or time restrictions:

|                         | 2011      |    | 2010   |
|-------------------------|-----------|----|--------|
| Cardwell Education Fund | \$ 52,282 | \$ | 51,981 |
| Stanley Education Fund  | 945       |    | 1,008  |
|                         | \$ 53,227 | \$ | 52,989 |

Net assets of \$483 and \$2,381 were released for the years ended June 30, 2011 and 2010, respectively, from donor restrictions by the satisfaction of time or purpose.

Additionally, the Organization received \$45,000 from the Chicago Community Trust Unity Grant for the exploration of partnerships during the year ended June 30, 2011. These monies were also released from donor restrictions during the year ended June 30, 2011.

14. Compensated Absences

The Organization has a vesting paid time off ("PTO") policy. The amount of PTO available as of June 30, 2011 and 2010 is \$40,750 and \$46,695, respectively. These amounts are included in accrued payroll on the statements of financial position.

## **Supplemental Information**

**THE HARBOUR, INC.**  
Schedule of Program Revenues  
For the Year Ended June 30, 2011

|                                                  | 2011                                 |                        |                                      |                       |
|--------------------------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|
|                                                  | Program                              |                        |                                      |                       |
|                                                  | Safe Harbour<br>Emergency<br>Shelter | Youth in<br>Transition | Transitional<br>Living-<br>Community | Independent<br>Living |
| Public support revenue:                          |                                      |                        |                                      |                       |
| Contributions                                    | \$ 2,513                             | \$ -                   | \$ -                                 | \$ -                  |
| Special events (net of direct costs of \$23,092) | -                                    | -                      | -                                    | -                     |
| Total public support                             | 2,513                                | -                      | -                                    | -                     |
| Purchase of service and grant revenue:           |                                      |                        |                                      |                       |
| State contracts                                  | 1,641                                | 1,130,931              | -                                    | -                     |
| Private contracts                                | 33,404                               | -                      | -                                    | -                     |
| County contracts                                 | 17,626                               | -                      | -                                    | -                     |
| Federal grants                                   | -                                    | -                      | 200,003                              | -                     |
| State grants                                     | -                                    | -                      | 48,472                               | 71,936                |
| Pass-through grant                               | 5,000                                | -                      | -                                    | -                     |
| Community development block grant                | 35,076                               | -                      | -                                    | -                     |
| Township grants                                  | 34,659                               | -                      | -                                    | -                     |
| Local government grants                          | 4,500                                | -                      | -                                    | -                     |
| Other income                                     | 25                                   | -                      | -                                    | -                     |
| Total purchase of service and grant revenue      | 131,931                              | 1,130,931              | 248,475                              | 71,936                |
| Total revenue                                    | 134,444                              | 1,130,931              | 248,475                              | 71,936                |
| Released from restriction                        | 483                                  | -                      | -                                    | -                     |
| Total unrestricted revenues                      | \$ 134,927                           | \$ 1,130,931           | \$ 248,475                           | \$ 71,936             |

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
Schedule of Program Revenues  
For the Year Ended June 30, 2011

2011

| Program                                  |              | Support     |                       |
|------------------------------------------|--------------|-------------|-----------------------|
| Successful<br>Teens/Effective<br>Parents | Total        | Development | Organization<br>Total |
| \$ -                                     | \$ 2,513     | \$ 304,211  | \$ 306,724            |
| -                                        | -            | 33,568      | 33,568                |
| -                                        | 2,513        | 337,779     | 340,292               |
| -                                        | 1,132,572    | -           | 1,132,572             |
| -                                        | 33,404       | -           | 33,404                |
| -                                        | 17,626       | -           | 17,626                |
| 200,004                                  | 400,007      | -           | 400,007               |
| 22,222                                   | 142,630      | -           | 142,630               |
| -                                        | 5,000        | -           | 5,000                 |
| -                                        | 35,076       | -           | 35,076                |
| -                                        | 34,659       | -           | 34,659                |
| -                                        | 4,500        | -           | 4,500                 |
| -                                        | 25           | -           | 25                    |
| 222,226                                  | 1,805,499    | -           | 1,805,499             |
| 222,226                                  | 1,808,012    | 337,779     | 2,145,791             |
| -                                        | 483          | 45,000      | 45,483                |
| \$ 222,226                               | \$ 1,808,495 | \$ 382,779  | \$ 2,191,274          |

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
Schedule of Program Expenses  
For the Year Ended June 30, 2011

|                                  | 2011                                 |                        |                                      |                       |                                          |
|----------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|------------------------------------------|
|                                  | Program expenses                     |                        |                                      |                       |                                          |
|                                  | Safe Harbour<br>Emergency<br>Shelter | Youth in<br>Transition | Transitional<br>Living-<br>Community | Independent<br>Living | Successful<br>Teens/Effective<br>Parents |
| Salaries and wages               | 80,515                               | 683,894                | 183,114                              | 30,218                | 100,727                                  |
| Employee benefits                | 5,757                                | 27,341                 | 10,815                               | 1,223                 | 8,880                                    |
| Payroll taxes                    | 9,719                                | 70,366                 | 19,522                               | 3,123                 | 9,718                                    |
| Depreciation                     | 9,654                                | 53                     | 17,242                               | -                     | -                                        |
| Dues and subscriptions           | -                                    | -                      | -                                    | -                     | -                                        |
| Educational expenses             | -                                    | 9,762                  | 365                                  | -                     | -                                        |
| Fees                             | -                                    | -                      | -                                    | -                     | -                                        |
| Insurance                        | 354                                  | 7,932                  | 1,669                                | 1,669                 | 3,324                                    |
| Interest expense                 | 9,995                                | -                      | 9,282                                | -                     | -                                        |
| Meetings                         | -                                    | -                      | -                                    | -                     | -                                        |
| Miscellaneous                    | -                                    | -                      | -                                    | -                     | -                                        |
| Occupancy                        | 10,320                               | 174,675                | 43,664                               | 18,285                | 38,135                                   |
| Equipment                        | 572                                  | 641                    | 271                                  | -                     | 1,003                                    |
| Postage                          | -                                    | -                      | -                                    | -                     | -                                        |
| Printing                         | -                                    | -                      | -                                    | -                     | -                                        |
| Professional fees                | 1,328                                | 2,400                  | 1,072                                | -                     | -                                        |
| Repairs and maintenance          | 5,725                                | 1,752                  | 7,762                                | 300                   | -                                        |
| Staff and board development      | 943                                  | 520                    | 60                                   | -                     | -                                        |
| Subcontract services             | -                                    | -                      | -                                    | -                     | -                                        |
| Supplies and activities          | 2,790                                | 64,813                 | 20,901                               | 3,245                 | 9,464                                    |
| Transportation                   | 1,173                                | 29,315                 | 5,345                                | 446                   | 966                                      |
| <b>Total program expenses</b>    | <b>138,845</b>                       | <b>1,073,464</b>       | <b>321,084</b>                       | <b>58,509</b>         | <b>172,217</b>                           |
| <b>Administrative allocation</b> | <b>29,825</b>                        | <b>118,244</b>         | <b>34,202</b>                        | <b>17,586</b>         | <b>38,947</b>                            |
| <b>Total expenses</b>            | <b>\$ 168,670</b>                    | <b>\$ 1,191,708</b>    | <b>\$ 355,286</b>                    | <b>\$ 76,095</b>      | <b>\$ 211,164</b>                        |

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
Schedule of Program Expenses  
For the Year Ended June 30, 2011

| 2011             |                           |             |            |                       |
|------------------|---------------------------|-------------|------------|-----------------------|
| Program expenses | Support                   |             |            |                       |
| Total            | Management<br>and General | Development | Total      | Organization<br>Total |
| \$ 1,078,468     | \$ 87,632                 | \$ 40,499   | \$ 128,131 | \$ 1,206,599          |
| 54,016           | 2,910                     | 986         | 3,896      | 57,912                |
| 112,448          | 8,618                     | 4,022       | 12,640     | 125,088               |
| 26,949           | 6,868                     | 2,191       | 9,059      | 36,008                |
| -                | 3,870                     | 202         | 4,072      | 4,072                 |
| 10,127           | -                         | 1           | 1          | 10,128                |
| -                | 7,425                     | 1,953       | 9,378      | 9,378                 |
| 14,948           | 2,118                     | 830         | 2,948      | 17,896                |
| 19,277           | -                         | -           | -          | 19,277                |
| -                | 86                        | 25          | 111        | 111                   |
| -                | -                         | -           | -          | -                     |
| 285,079          | 2,196                     | 2,713       | 4,909      | 289,988               |
| 2,487            | 2,737                     | 452         | 3,189      | 5,676                 |
| -                | 1,902                     | 362         | 2,264      | 2,264                 |
| -                | 883                       | 378         | 1,261      | 1,261                 |
| 4,800            | 107,188                   | 5,101       | 112,289    | 117,089               |
| 15,539           | 25                        | 1           | 26         | 15,565                |
| 1,523            | -                         | -           | -          | 1,523                 |
| -                | -                         | -           | -          | -                     |
| 101,213          | 4,346                     | 707         | 5,053      | 106,266               |
| 37,245           | -                         | 273         | 273        | 37,518                |
| 1,764,119        | 238,804                   | 60,696      | 299,500    | 2,063,619             |
| 238,804          | (238,804)                 | -           | (238,804)  | -                     |
| \$ 2,002,923     | \$ -                      | \$ 60,696   | \$ 60,696  | \$ 2,063,619          |



• CERTIFIED PUBLIC ACCOUNTANTS  
• BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The Harbour, Inc.  
Park Ridge, Illinois

We have audited the financial statements of the Harbour, Inc. as of and for the year ended June 30, 2011 and have issued our report thereon dated September 26, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered The Harbour, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Harbour, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Directors  
The Harbour, Inc.  
Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Harbour, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the finance committee and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

BIK + CO, LLP

September 26, 2011