

**THE HARBOUR, INC.**

Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011, 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 audit 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, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012 on our consideration of The Harbour, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(continued)

625 N. NORTH COURT, SUITE 200 · PALATINE, ILLINOIS 60067-8148  
VOICE: (847) 358-1170 · FACSIMILE: (847) 358-2526

300 CENTER DRIVE, SUITE 100 · VERNON HILLS, ILLINOIS 60061-1525  
VOICE: (847)362-4310 · FACSIMILE: (847)362-5016

Board of Directors  
The Harbour, Inc.

Our audit was conducted 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedules of program revenues and program expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

BIK + CO, LLP

Palatine, Illinois  
October 4, 2012

625 N. NORTH COURT, SUITE 200 • PALATINE, ILLINOIS 60067-8148  
VOICE: (847) 358-1170 • FACSIMILE: (847) 358-2526

300 CENTER DRIVE, SUITE 100 • VERNON HILLS, IL 60061-1525  
VOICE: (847) 362-4310 • FACSIMILE: (847) 362-5016

WEB SITE: [www.bikcpa.com](http://www.bikcpa.com)

**THE HARBOUR, INC.**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 7,797	\$ 1,980
Short-term investments	50,299	54,083
Accounts receivable	93,681	140,233
Prepaid expenses	<u>35,698</u>	<u>34,341</u>
Total current assets	187,475	230,637
Property and equipment, net	<u>376,514</u>	<u>403,250</u>
Total assets	<u><u>563,989</u></u>	<u><u>633,887</u></u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	20,171	14,612
Accrued payroll	80,253	66,819
Rent payable	39,371	43,117
Other current liabilities	25,184	21,695
Current portion of mortgage payable	13,127	10,724
Current portion of bank note payable	7,143	7,143
Bank line of credit	<u>-</u>	<u>113,293</u>
Total current liabilities	<u>185,249</u>	<u>277,403</u>
Long-term liabilities:		
Bank note payable	36,310	42,857
Mortgage payable	<u>139,814</u>	<u>152,941</u>
Total long-term liabilities	<u>176,124</u>	<u>195,798</u>
Total liabilities	<u>361,373</u>	<u>473,201</u>
Net assets:		
Unrestricted	149,429	107,459
Temporarily restricted	<u>53,187</u>	<u>53,227</u>
Total net assets	<u>202,616</u>	<u>160,686</u>
Total liabilities and net assets	<u>\$ 563,989</u>	<u>\$ 633,887</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Public support revenue:		
Contributions	\$ 211,391	\$ 306,724
Special events (net of direct costs of \$23,781 in 2012 and \$23,092 in 2011)	<u>31,790</u>	<u>33,568</u>
Total public support	<u>243,181</u>	<u>340,292</u>
Purchase of service and grant revenue:		
State contracts	1,297,200	1,132,572
Private contracts	23,708	33,404
County contracts	61,128	17,626
Federal grants	400,000	400,007
State grants	128,001	142,630
Pass-through grant	30,000	5,000
Community development block grant	34,999	35,076
Township grants	36,667	34,659
Local government grants	19,148	4,500
Interest and other	<u>210</u>	<u>25</u>
Total purchase of service and grant revenue	<u>2,031,061</u>	<u>1,805,499</u>
Net assets released from restrictions	<u>399</u>	<u>45,483</u>
Total unrestricted revenues	<u>2,274,641</u>	<u>2,191,274</u>
Program expenses:		
Safe Harbour Emergency Shelter	185,204	138,845
Youth In Transition	1,216,400	1,073,464
Transitional Living - Community	278,897	321,084
Independent Living	68,738	58,509
Successful Teens/Effective Parents	<u>205,048</u>	<u>172,217</u>
Total program expenses	<u>1,954,287</u>	<u>1,764,119</u>
Support services:		
Management and general	216,982	238,804
Development	<u>61,402</u>	<u>60,696</u>
Total support services	<u>278,384</u>	<u>299,500</u>
Total expenses	<u>2,232,671</u>	<u>2,063,619</u>
Increase in unrestricted net assets	<u>41,970</u>	<u>127,655</u>
Changes in temporarily restricted net assets:		
Contributions	359	45,721
Net assets released from restrictions	<u>(399)</u>	<u>(45,483)</u>
Increase (decrease) in temporarily restricted net assets	<u>(40)</u>	<u>238</u>
Change in net assets	41,930	127,893
Beginning net assets	<u>160,686</u>	<u>32,793</u>
Ending net assets	<u>\$ 202,616</u>	<u>\$ 160,686</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, 2012 and 2011**

	2012				
	Program expenses				
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living- Community	Independent Living	Successful Teens/Effective Parents
Salaries and wages	113,019	741,090	156,707	31,107	104,863
Employee benefits	10,622	31,853	9,961	2,086	6,574
Payroll taxes	14,006	79,836	17,039	3,473	10,416
Depreciation	8,504	-	16,553	-	-
Dues and subscriptions	-	-	-	-	-
Educational expenses	-	19,122	40	-	-
Fees	-	-	-	-	-
Insurance	866	8,652	1,740	1,752	3,456
Interest expense	6,476	-	9,528	-	-
Meetings	-	-	-	-	-
Occupancy	11,423	190,261	39,499	22,830	67,867
Equipment	467	1,476	151	2,163	3,975
Postage	-	-	-	-	-
Printing	-	-	-	-	-
Professional fees	-	-	-	-	-
Repairs and maintenance	7,883	5,063	4,128	-	-
Staff and board development	583	1,202	358	-	-
Supplies and activities	8,402	97,781	18,311	4,856	6,086
Transportation	2,953	40,064	4,882	471	1,811
<b>Total functional expenses</b>	<b>\$ 185,204</b>	<b>\$ 1,216,400</b>	<b>\$ 278,897</b>	<b>\$ 68,738</b>	<b>\$ 205,048</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, 2012 and 2011**

Program expenses	2012			
		Support		
Total	Management and General	Development	Total	Organization Total
\$ 1,146,786	\$ 98,609	\$ 44,815	\$ 143,424	\$ 1,290,210
61,096	3,507	1,491	4,998	66,094
124,770	9,932	4,673	14,605	139,375
25,057	4,774	-	4,774	29,831
-	1,990	492	2,482	2,482
19,162	-	-	-	19,162
-	7,562	1,065	8,627	8,627
16,466	2,208	852	3,060	19,526
16,004	-	-	-	16,004
-	240	10	250	250
331,880	2,656	2,656	5,312	337,192
8,232	2,579	172	2,751	10,983
-	2,336	373	2,709	2,709
-	707	37	744	744
-	74,061	3,841	77,902	77,902
17,074	-	-	-	17,074
2,143	-	-	-	2,143
135,436	5,821	700	6,521	141,957
50,181	-	225	225	50,406
<u>\$ 1,954,287</u>	<u>\$ 216,982</u>	<u>\$ 61,402</u>	<u>\$ 278,384</u>	<u>\$ 2,232,671</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, 2012 and 2011**

	2011				
	Program expenses				
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living- Community	Independent Living	Successful Teens/Effective 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	-	-	-	-	-
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	-	-
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, 2012 and 2011**

		2011			
<u>Program expenses</u>		<u>Support</u>			
Total		Management and General	Development	Total	Organization 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>

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 41,930	\$ 127,893
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,831	36,008
Loss on disposal of fixed assets	-	389
(Increase) decrease in accounts receivable	46,552	(67,793)
(Increase) decrease in grants receivable	-	55,900
(Increase) decrease in prepaid expenses	(1,357)	(6,019)
Increase (decrease) in accounts payable	5,559	645
Increase (decrease) in accrued payroll	13,434	(379)
Increase (decrease) in rent payable	(3,746)	7,849
Increase (decrease) in other liabilities	3,489	3,368
Total adjustments	93,762	29,968
Net cash provided by operating activities	135,692	157,861
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(721)
Maturity of certificate of deposit	3,784	-
Purchases of property and equipment	(3,095)	(2,285)
Net cash provided (used) by investing activities	689	(3,006)
Cash flows from financing activities:		
Proceeds from bank line of credit	1,101,069	1,271,231
Repayments on bank line of credit	(1,214,362)	(1,416,067)
Principal payments on bank note payable	(6,547)	-
Principal payments on mortgage payable	(10,724)	(10,102)
Net cash used by financing activities	(130,564)	(154,938)
Net increase (decrease) in cash and cash equivalents	5,817	(83)
Cash and cash equivalents at beginning of year	1,980	2,063
Cash and cash equivalents at end of year	\$ 7,797	\$ 1,980
<u>Supplemental information:</u>		
Interest paid	\$ 16,004	\$ 19,277

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

**THE HARBOUR, INC.**  
Notes to Financial Statements  
June 30, 2012 and 2011

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 Financial Accounting Standards Board (FASB) ASC 958-210-45. 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. 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 \$359 and \$45,721, respectively, with donor-imposed restrictions that resulted in temporarily restricted net assets for the years ended June 30, 2012 and 2011.

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, 2012. 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.

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.

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

2. Summary of Significant Accounting Policies (continued)

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

Based on management's evaluation there were no subsequent event disclosures through October 4, 2012, which is the date the financial statements were available to be issued.

Accounting Pronouncements

The Accounting Standards Codification (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).

3. Cash and Cash Equivalents

At June 30, 2012 and 2011, 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.

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

3. Cash and Cash Equivalents (continued)

Cash and cash equivalents consist of the following at June 30, 2012 and 2011:

	2012	2011
Checking	\$ 5,835	\$ -
Brokerage account	1,461	1,461
Household cash	501	519
	\$ 7,797	\$ 1,980

4. Short-term Investments

At June 30, 2012 and 2011, short-term investments consist of a certificate of deposit in the amount of \$50,299 and \$54,083, respectively. The certificate of deposit as of June 30, 2012 matures on July 23, 2012 and bears an interest rate of 0.648%.

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.

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.

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

5. Fair Value Measurements (continued)

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, 2012 and 2011:

<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ <u>50,299</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,299</u>
	\$ <u>50,299</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,299</u>
<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>

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

6. Accounts Receivable and Revenue Concentration

At June 30, 2012 and 2011, 95% and 68%, respectively, of total accounts receivable are due from the Illinois Department of Children and Family Services, Illinois Department of Human Services, and U.S. Department of Health and Human Services.

At June 30, 2012 and 2011, 81% and 76%, respectively, of total revenue was received from Illinois Department of Children and Family Services, Illinois Department of Human Services, and U.S. Department of Health and Human Services.

7. Property and Equipment and Accumulated Depreciation

Property and equipment consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets:		
Land	\$ 102,765	\$ 102,765
Building and improvements	640,765	637,670
Furniture and fixtures	54,891	107,446
Office equipment	43,210	81,321
Vehicles	<u>8,642</u>	<u>8,642</u>
Total	<u>850,273</u>	<u>937,844</u>
Accumulated depreciation:		
Building and improvements	374,097	352,490
Furniture and fixtures	54,891	104,151
Office equipment	36,129	69,311
Vehicles	<u>8,642</u>	<u>8,642</u>
Total	<u>473,759</u>	<u>534,594</u>
Property and equipment, net	<u>\$ 376,514</u>	<u>\$ 403,250</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 2.85%. Payment of principal and interest in the amount of \$1,457 are due monthly. The mortgage matures on July 1, 2022. Maturities of the mortgage principal payable subsequent to June 30, 2012 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 13,127
2014	13,682
2015	14,077
2016	14,483
2017	14,902
2018 and thereafter	82,670
Total	<u>152,941</u>
Less: current portion	<u>(13,127)</u>
Long-term portion	<u>\$ 139,814</u>

9. Bank Line of Credit

As of June 30, 2012 and 2011 the Organization had a \$225,000 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. The Organization paid the remaining balance of the line of credit during the fiscal year. There were no outstanding borrowings on the line of credit as of June 30, 2012. There were outstanding borrowings on the line of credit of \$113,293 as of June 30, 2011.

10. Bank Note Payable

At June 30, 2012, the Organization has a note payable due to First American Bank. This loan has a variable interest rate, with the minimum interest rate floor fixed at 5%, based on the prime rate of the bank. This loan matures on July 15, 2018 and is secured by a deposit account held at the bank. The note requires monthly payments of principal in the amount of \$595 plus interest. Maturities of the bank note payable subsequent to June 30, 2012 are as follows:

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

10. Bank Note Payable (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 7,143
2014	7,143
2015	7,143
2016	7,143
2017	7,143
2018 and thereafter	<u>7,738</u>
Total	43,453
Less: current portion	<u>(7,143)</u>
Long-term portion	<u>\$ 36,310</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, 2012 and 2011.

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 \$4,797 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, 2012 and 2011 was \$285,077 and \$235,380, respectively.

The future minimum lease payments subsequent to June 30, 2012 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2013	\$ 130,212
2014	126,868
2015	129,279
2016	90,128
2017	37,793
Total	<u>\$ 514,280</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:

	<u>2012</u>	<u>2011</u>
Cardwell Education Fund	\$ 52,541	\$ 52,282
Stanley Education Fund	<u>646</u>	<u>945</u>
	<u>\$ 53,187</u>	<u>\$ 53,227</u>

Net assets of \$399 and \$45,483 were released for the years ended June 30, 2012 and 2011, respectively, from donor restrictions by the satisfaction of time or purpose.

14. Compensated Absences

The Organization has a vesting paid time off ("PTO") policy. The amount of PTO available as of June 30, 2012 and 2011 is \$49,251 and \$40,750, 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, 2012**

	2012			
	Program			
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living- Community	Independent Living
Public support revenue:				
Contributions	\$ 818	\$ -	\$ -	\$ -
Special events (net of direct costs of \$23,781)	-	-	-	-
Total public support	818	-	-	-
Purchase of service and grant revenue:				
State contracts	2,298	1,294,902	-	-
Private contracts	23,708	-	-	-
County contracts	61,128	-	-	-
Federal grants	-	-	200,000	-
State grants	-	-	29,671	75,326
Pass-through grant	30,000	-	-	-
Community development block grant	34,999	-	-	-
Township grants	36,667	-	-	-
Local government grants	19,148	-	-	-
Other income	86	-	124	-
Total purchase of service and grant revenue	208,034	1,294,902	229,795	75,326
Total revenue	208,852	1,294,902	229,795	75,326
Released from restriction	399	-	-	-
Total unrestricted revenues	\$ 209,251	\$ 1,294,902	\$ 229,795	\$ 75,326

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
Schedule of Program Revenues  
For the Year Ended June 30, 2012

Program		2012	
		Support	
Successful Teens/Effective Parents	Total	Development	Organization Total
\$ -	\$ 818	\$ 210,573	\$ 211,391
-	-	31,790	31,790
-	818	242,363	243,181
-	1,297,200	-	1,297,200
-	23,708	-	23,708
-	61,128	-	61,128
200,000	400,000	-	400,000
23,004	128,001	-	128,001
-	30,000	-	30,000
-	34,999	-	34,999
-	36,667	-	36,667
-	19,148	-	19,148
-	210	-	210
223,004	2,031,061	-	2,031,061
223,004	2,031,879	242,363	2,274,242
-	399	-	399
<u>\$ 223,004</u>	<u>\$ 2,032,278</u>	<u>\$ 242,363</u>	<u>\$ 2,274,641</u>

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
**Schedule of Program Expenses**  
**For the Year Ended June 30, 2012**

	2012				
	Program expenses				
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living- Community	Independent Living	Successful Teens/Effective Parents
Salaries and wages	113,019	741,090	156,707	31,107	104,863
Employee benefits	10,622	31,853	9,961	2,086	6,574
Payroll taxes	14,006	79,836	17,039	3,473	10,416
Depreciation	8,504	-	16,553	-	-
Dues and subscriptions	-	-	-	-	-
Educational expenses	-	19,122	40	-	-
Fees	-	-	-	-	-
Insurance	866	8,652	1,740	1,752	3,456
Interest expense	6,476	-	9,528	-	-
Meetings	-	-	-	-	-
Occupancy	11,423	190,261	39,499	22,830	67,867
Equipment	467	1,476	151	2,163	3,975
Postage	-	-	-	-	-
Printing	-	-	-	-	-
Professional fees	-	-	-	-	-
Repairs and maintenance	7,883	5,063	4,128	-	-
Staff and board development	583	1,202	358	-	-
Supplies and activities	8,402	97,781	18,311	4,856	6,086
Transportation	2,953	40,064	4,882	471	1,811
<b>Total program expenses</b>	<b>185,204</b>	<b>1,216,400</b>	<b>278,897</b>	<b>68,738</b>	<b>205,048</b>
<b>Administrative allocation</b>	<b>27,927</b>	<b>111,460</b>	<b>24,260</b>	<b>15,686</b>	<b>37,649</b>
<b>Total expenses</b>	<b>\$ 213,131</b>	<b>\$ 1,327,860</b>	<b>\$ 303,157</b>	<b>\$ 84,424</b>	<b>\$ 242,697</b>

See Independent Auditors' Opinion

**THE HARBOUR, INC.**  
Schedule of Program Expenses  
For the Year Ended June 30, 2012

Program expenses	2012				Organization Total
	Total	Support		Total	
		Management and General	Development		
\$ 1,146,786	\$ 98,609	\$ 44,815	\$ 143,424	\$ 1,290,210	
61,096	3,507	1,491	4,998	66,094	
124,770	9,932	4,673	14,605	139,375	
25,057	4,774	-	4,774	29,831	
-	1,990	492	2,482	2,482	
19,162	-	-	-	19,162	
-	7,562	1,065	8,627	8,627	
16,466	2,208	852	3,060	19,526	
16,004	-	-	-	16,004	
-	240	10	250	250	
331,880	2,656	2,656	5,312	337,192	
8,232	2,579	172	2,751	10,983	
-	2,336	373	2,709	2,709	
-	707	37	744	744	
-	74,061	3,841	77,902	77,902	
17,074	-	-	-	17,074	
2,143	-	-	-	2,143	
135,436	5,821	700	6,521	141,957	
50,181	-	225	225	50,406	
<u>1,954,287</u>	<u>216,982</u>	<u>61,402</u>	<u>278,384</u>	<u>2,232,671</u>	
<u>216,982</u>	<u>(216,982)</u>	<u>-</u>	<u>(216,982)</u>	<u>-</u>	
<u>\$ 2,171,269</u>	<u>\$ -</u>	<u>\$ 61,402</u>	<u>\$ 61,402</u>	<u>\$ 2,232,671</u>	

See Independent Auditors' Opinion





• 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, 2012 and have issued our report thereon dated October 4, 2012. 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.

(continued)

625 N. NORTH COURT, SUITE 200 · PALATINE, ILLINOIS 60067-8148  
VOICE: (847) 358-1170 · FACSIMILE: (847) 358-2526

300 CENTER DRIVE, SUITE 100 · VERNON HILLS, ILLINOIS 60061-1525  
VOICE: (847)362-4310 · FACSIMILE: (847)362-5016

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

October 4, 2012

625 N. NORTH COURT, SUITE 200 • PALATINE, ILLINOIS 60067-8148  
VOICE: (847) 358-1170 • FACSIMILE: (847) 358-2526

300 CENTER DRIVE, SUITE 100 • VERNON HILLS, IL 60061-1525  
VOICE: (847) 362-4310 • FACSIMILE: (847) 362-5016

WEB SITE: [www.bikcpa.com](http://www.bikcpa.com)