THE HARBOUR, INC.

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

BIK Co
cpas and advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Harbour, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

(continued)

To the Board of Directors
The Harbour, Inc

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harbour, Inc. as of June 30, 2013 and 2012, 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.

Supplementary Information
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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013 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* in considering The Harbour Inc.'s internal control over financial reporting and compliance.

BKK + Co, LLP

Palatine, Illinois
September 12, 2013

THE HARBOUR, INC.
Statements of Financial Position
June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	$ 49,831	$ 7,797
Short-term investments	50,602	50,299
Accounts receivable	81,976	93,681
Prepaid expenses	42,274	35,698
Total current assets	224,683	187,475
Property and equipment, net	357,427	376,514
Other asset - unemployment escrow deposit	49,179	-
Total assets	631,289	563,989
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	14,204	20,171
Accrued payroll	80,464	80,253
Rent payable	7,209	5,452
Other current liabilities	27,526	25,184
Current portion of mortgage payable	13,682	13,127
Current portion of bank note payable	7,143	7,143
Total current liabilities	150,228	151,330
Long-term liabilities:		
Bank note payable	29,167	36,310
Mortgage payable	126,132	139,814
Deferred rent payable	26,710	33,919
Total long-term liabilities	182,009	210,043
Total liabilities	332,237	361,373
Net assets:		
Unrestricted	245,587	149,429
Temporarily restricted	53,465	53,187
Total net assets	299,052	202,616
Total liabilities and net assets	$ 631,289	$ 563,989

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, 2013 and 2012

	2013	2012
Public support revenue:		
Contributions	$ 186,411	$ 211,391
Special events (net of direct costs of $25,675 in 2013 and $23,781 in 2012)	93,402	31,790
Total public support	279,813	243,181
Purchase of service and grant revenue:		
State contracts	1,520,490	1,297,200
Private contracts	29,500	23,708
County contracts	-	61,128
Federal grants	213,297	400,000
State grants	150,478	128,001
Pass-through grant	40,000	30,000
Community development block grant	25,289	34,999
Township grants	37,000	36,667
Local government grants	17,304	19,148
Interest	34	210
Unemployment insurance escrow deposit	20,283	-
Total purchase of service and grant revenue	2,053,675	2,031,061
Net assets released from restrictions	25	399
Total unrestricted revenues	2,333,513	2,274,641
Program expenses:		
Safe Harbour Emergency Shelter	139,373	185,204
Youth in Transition	1,400,959	1,216,400
Transitional Living - Community	195,640	278,897
Independent Living	65,600	68,738
Successful Teens/Effective Parents	150,986	205,048
Total program expenses	1,952,558	1,954,287
Support services:		
Management and general	217,019	216,982
Development	67,778	61,402
Total support services	284,797	278,384
Total expenses	2,237,355	2,232,671
Increase in unrestricted net assets	96,158	41,970
Changes in temporarily restricted net assets:		
Contributions	303	359
Net assets released from restrictions	(25)	(399)
Increase (decrease) in temporarily restricted net assets	278	(40)
Change in net assets	96,436	41,930
Beginning net assets	202,616	160,686
Ending net assets	$ 299,052	$ 202,616

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, 2013 and 2012

	2013				
	Program expenses				
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living-Community	Independent Living	Successful Teens/Effective Parents
Salaries and wages	89,165	836,858	116,237	30,138	97,427
Employee benefits	5,190	35,385	9,133	1,879	6,699
Payroll taxes	5,233	63,700	9,749	2,348	7,990
Depreciation	8,811	-	16,553	-	-
Dues and subscriptions	-	-	-	-	-
Educational expenses	134	14,757	25	-	-
Fees	-	-	-	-	-
Insurance	857	7,534	1,532	1,545	3,145
Interest expense	2,034	-	4,592	-	-
Meetings	-	-	-	-	-
Occupancy	10,954	204,935	16,074	28,279	29,456
Equipment	538	6,763	2,381	-	-
Postage	-	-	-	-	-
Printing	-	-	-	-	-
Professional fees	-	-	-	-	-
Repairs and maintenance	7,314	9,294	3,934	-	-
Staff and board development	780	4,367	100	-	-
Supplies and activities	5,535	174,891	11,161	-	5,183
Transportation	2,828	42,475	4,169	1,411	1,086
Total functional expenses	$ 139,373	$ 1,400,959	$ 195,640	$ 65,600	$ 150,986

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, 2013 and 2012

2013				
Program expenses	Support			
Total	Management and General	Development	Total	Organization Total
$ 1,169,825	$ 97,429	$ 50,817	$ 148,246	$ 1,318,071
58,286	2,994	1,682	4,676	62,962
89,020	7,968	3,178	11,146	100,166
25,364	2,485	-	2,485	27,849
-	2,524	337	2,861	2,861
14,916	-	-	-	14,916
-	8,177	2,250	10,427	10,427
14,613	2,352	748	3,100	17,713
6,626	-	-	-	6,626
-	445	23	468	468
289,698	2,656	2,656	5,312	295,010
9,682	2,628	138	2,766	12,448
-	2,262	119	2,381	2,381
-	597	31	628	628
-	79,530	4,206	83,736	83,736
20,542	-	-	-	20,542
5,247	-	1,074	1,074	6,321
196,770	3,682	194	3,876	200,646
51,969	1,290	325	1,615	53,584
$ 1,952,558	$ 217,019	$ 67,778	$ 284,797	$ 2,237,355

(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, 2013 and 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
Total functional expenses	$ 185,204	$ 1,216,400	$ 278,897	$ 68,738	$ 205,048

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, 2013 and 2012

2012				
Program expenses	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
$ 1,954,287	$ 216,982	$ 61,402	$ 278,384	$ 2,232,671

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, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 96,436	$ 41,930
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	27,849	29,831
(Increase) decrease in accounts receivable	11,705	46,552
(Increase) decrease in prepaid expenses	(6,576)	(1,357)
(Increase) decrease in other assets	(49,179)	-
Increase (decrease) in accounts payable	(5,967)	5,559
Increase (decrease) in accrued payroll	211	13,434
Increase (decrease) in rent payable	1,757	1,706
Increase (decrease) in deferred rent payable	(7,209)	(5,452)
Increase (decrease) in other liabilities	2,342	3,489
Total adjustments	(25,067)	93,762
Net cash provided by operating activities	71,369	135,692
Cash flows from investing activities:		
Purchase of certificate of deposit	(303)	-
Maturity of certificate of deposit	-	3,784
Purchases of property and equipment	(8,762)	(3,095)
Net cash provided (used) by investing activities	(9,065)	689
Cash flows from financing activities:		
Proceeds from bank line of credit	127,000	1,101,069
Repayments on bank line of credit	(127,000)	(1,214,362)
Principal payments on bank note payable	(7,143)	(6,547)
Principal payments on mortgage payable	(13,127)	(10,724)
Net cash used by financing activities	(20,270)	(130,564)
Net increase (decrease) in cash and cash equivalents	42,034	5,817
Cash and cash equivalents at beginning of year	7,797	1,980
Cash and cash equivalents at end of year	$ 49,831	$ 7,797
Supplemental information:		
Interest paid	$ 6,626	$ 16,004

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

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.

(continued)

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 $303 and $359, respectively, with donor-imposed restrictions that resulted in temporarily restricted net assets for the years ended June 30, 2013 and 2012.

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 but less than one year as of June 30, 2013. 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.

(continued)

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 September 12, 2013, 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).

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3. Cash and Cash Equivalents

At June 30, 2013 and 2012, 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, 2013 and 2012:

	2013	2012
Checking	$ 47,776	$ 5,835
Brokerage account	1,461	1,461
Household cash	594	501
	$ 49,831	$ 7,797

4. Short-term Investments

At June 30, 2013 and 2012, short-term investments consist of a certificate of deposit in the amount of $50,602 and $50,299, respectively. The certificate of deposit as of June 30, 2013 matures on January 23, 2014 and bears an interest rate of 0.598%.

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.

(continued)

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, 2013 and 2012:

2013	Level 1	Level 2	Level 3	Total
Certificate of deposit	$ 50,602	$ -	$ -	$ 50,602
	$ 50,602	$ -	$ -	$ 50,602

5. Fair Value Measurements (continued)

2012	Level 1	Level 2	Level 3	Total
Certificate of deposit	$ 50,299	$ -	$ -	$ 50,299
	$ 50,299	$ -	$ -	$ 50,299

6. Accounts Receivable and Revenue Concentration

At June 30, 2013 and 2012, 84% and 91%, respectively, of total accounts receivable are due from the Illinois Department of Children and Family Services and Illinois Department of Human Services.

At June 30, 2013 and 2012, 12% and 4%, respectively, of total accounts receivable are due from the 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, 2013 and 2012:

	2013	2012
Assets:		
Land	$ 102,765	$ 102,765
Building and improvements	642,590	640,765
Furniture and fixtures	51,812	54,891
Office equipment	50,149	43,210
Vehicles	8,642	8,642
Total	855,958	850,273
Accumulated depreciation:		
Building and improvements	396,013	374,097
Furniture and fixtures	51,812	54,891
Office equipment	42,064	36,129
Vehicles	8,642	8,642
Total	498,531	473,759
Property and equipment, net	$ 357,427	$ 376,514

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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, 2013 are as follows:

Year ending June 30,		Amount
2014	$	13,682
2015		14,077
2016		14,483
2017		14,902
2018		15,332
2018 and thereafter		67,338
Total		139,814
Less: current portion		(13,682)
Long-term portion	$	126,132

9. Bank Line of Credit

As of June 30, 2013 and 2012 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 1% and interest is due monthly. There were no outstanding borrowings on the line of credit as of June 30, 2013 and 2012.

10. Bank Note Payable

At June 30, 2013, the Organization has a note payable due to First American Bank. This loan has a variable interest rate with the rate equal to one percent per annum over 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, 2013 are as follows:

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10. Bank Note Payable (continued)

Year ending June 30,		Amount
2013	$	7,143
2014		7,143
2015		7,143
2016		7,143
2017		7,143
2018 and thereafter		7,738
Total		36,310
Less: current portion		(7,143)
Long-term portion	$	29,167

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, 2013 and 2012.

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 $4,941 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, 2013 and 2012 was $242,983 and $285,077, respectively.

12. Lease Commitments (continued)

The future minimum lease payments subsequent to June 30, 2013 are as follows:

Year ending June 30		Amount
2014	$	168,868
2015		173,154
2016		111,428
2017		59,768
2018		5,550
Total	$	685,880

13. Unemployment Escrow Deposit

The Organization has utilized a third party for self-funding (savings program) of unemployment compensation insurance for several years. During the year ended June 30, 2013, the program administrator informed The Harbour, Inc. that due to minimal claim activity, the quarterly premiums will be reduced and deposited into an escrow deposit account. As a result, the Organization recorded the excess monies from the program as an asset (escrow deposit account). Prior year excess premiums totaling $20,283 were deposited by the third party into a separate account, along with the current year premiums. The Organization retains ownership of the escrow deposit account. The escrow deposit balance at June 30, 2013 total $49,179. Management does not intend to utilize these monies with the next operating year; therefore, it is classified as non-current in the Statement of Financial Position.

14. 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:

		2013		2012
Cardwell Education Fund	$	52,819	$	52,541
Stanley Education Fund		646		646
	$	53,465	$	53,187

Net assets of $25 and $399 were released for the years ended June 30, 2013 and 2012, respectively, from donor restrictions by the satisfaction of time or purpose.

(continued)

15. Compensated Absences

The Organization has a vesting paid time off ("PTO") policy. The amount of PTO available as of June 30, 2013 and 2012 is $47,844 and $49,251, respectively. These amounts are included in accrued payroll on the statements of financial position.

16. Revenue Concentration

At June 30, 2013 and 2012, 71% and 62%, respectively, of total revenue was received from Illinois Department of Children and Family Services and Illinois Department of Human Services.

At June 30, 2013 and 2012, 11% and 19%, respectively, of total revenue was received from the U.S. Department of Health and Human Services.

Supplemental Information

THE HARBOUR, INC.
Schedule of Program Revenues
For the Year Ended June 30, 2013

	2013			
	Program			
Public support revenue:	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living-Community	Independent Living
Contributions	$ 256	$ -	$ -	$ -
Special events (net of direct costs of $25,675)	-	-	-	-
Total public support	256	-	-	-
Purchase of service and grant revenue:				
State contracts	1,682	1,518,808	-	-
Private contracts	29,500	-	-	-
County contracts	-	-	-	-
Federal grants	-	-	49,996	-
State grants	-	-	47,621	80,857
Pass-through grant	40,000	-	-	-
Community development block grant	25,289	-	-	-
Township grants	37,000	-	-	-
Local government grants	17,304	-	-	-
Unemployment insurance escrow deposit	20,283			
Interest income	34	-	-	-
Total purchase of service and grant revenue	171,092	1,518,808	97,617	80,857
Total revenue	171,348	1,518,808	97,617	80,857
Released from restriction	25	-	-	-
Total unrestricted revenues	$ 171,373	$ 1,518,808	$ 97,617	$ 80,857

See Independent Auditors' Opinion

THE HARBOUR, INC.
Schedule of Program Revenues
For the Year Ended June 30, 2013

2013			
Program		Support	
Successful Teens/Effective Parents	Total	Development	Organization Total
$ -	$ 256	$ 186,155	$ 186,411
-	-	93,402	93,402
-	256	279,557	279,813
-	1,520,490	-	1,520,490
-	29,500	-	29,500
-	-	-	-
163,301	213,297	-	213,297
22,000	150,478	-	150,478
-	40,000	-	40,000
-	25,289	-	25,289
-	37,000	-	37,000
-	17,304	-	17,304
-	20,283	-	20,283
-	34	-	34
185,301	2,053,675	-	2,053,675
185,301	2,053,931	279,557	2,333,488
-	25	-	25
$ 185,301	$ 2,053,956	$ 279,557	$ 2,333,513

THE HARBOUR, INC.
Schedule of Program Expenses
For the Year Ended June 30, 2013

	2013				
	Program expenses				
	Safe Harbour Emergency Shelter	Youth in Transition	Transitional Living-Community	Independent Living	Successful Teens/Effective Parents
Salaries and wages	89,165	836,858	116,237	30,138	97,427
Employee benefits	5,190	35,385	9,133	1,879	6,699
Payroll taxes	5,233	63,700	9,749	2,348	7,990
Depreciation	8,811	-	16,553	-	-
Dues and subscriptions	-	-	-	-	-
Educational expenses	134	14,757	25	-	-
Fees	-	-	-	-	-
Insurance	857	7,534	1,532	1,545	3,145
Interest expense	2,034	-	4,592	-	-
Meetings	-	-	-	-	-
Occupancy	10,954	204,935	16,074	28,279	29,456
Equipment	538	6,763	2,381	-	-
Postage	-	-	-	-	-
Printing	-	-	-	-	-
Professional fees	-	-	-	-	-
Repairs and maintenance	7,314	9,294	3,934	-	-
Staff and board development	780	4,367	100	-	-
Supplies and activities	5,535	174,891	11,161	-	5,183
Transportation	2,828	42,475	4,169	1,411	1,086
Total program expenses	139,373	1,400,959	195,640	65,600	150,986
Administrative allocation	14,157	131,776	19,816	16,224	35,046
Total expenses	$ 153,530	$ 1,532,735	$ 215,456	$ 81,824	$ 186,032

See Independent Auditors' Opinion

THE HARBOUR, INC.

Schedule of Program Expenses

For the Year Ended June 30, 2013

2013				
Program expenses	Support			
Total	Management and General	Development	Total	Organization Total
$ 1,169,825	$ 97,429	$ 50,817	$ 148,246	$ 1,318,071
58,286	2,994	1,682	4,676	62,962
89,020	7,968	3,178	11,146	100,166
25,364	2,485	-	2,485	27,849
-	2,524	337	2,861	2,861
14,916	-	-	-	14,916
-	8,177	2,250	10,427	10,427
14,613	2,352	748	3,100	17,713
6,626	-	-	-	6,626
-	445	23	468	468
289,698	2,656	2,656	5,312	295,010
9,682	2,628	138	2,766	12,448
-	2,262	119	2,381	2,381
-	597	31	628	628
-	79,530	4,206	83,736	83,736
20,542	-	-	-	20,542
5,247	-	1,074	1,074	6,321
196,770	3,682	194	3,876	200,646
51,969	1,290	325	1,615	53,584
1,952,558	217,019	67,778	284,797	2,237,355
217,019	(217,019)	-	(217,019)	-
$ 2,169,577	$ -	$ 67,778	$ 67,778	$ 2,237,355

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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, in accordance with the 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, the financial statements of the Harbour, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Harbour, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of The Harbour Inc.'s internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant

(continued)

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Palatine, Illinois
September 12, 2013