

PEOPLE'S RESOURCE CENTER

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017**

TOGETHER WITH AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
People's Resource Center:

We have audited the accompanying financial statements of People's Resource Center (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors of
People's Resource Center
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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 People's Resource Center as of June 30, 2018 and 2017, 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.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
November 28, 2018

PEOPLE'S RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,630,419	\$ 677,806
Investments	3,167,028	3,100,578
Grants receivable	45,478	21,205
Accounts receivable - Trade	2,363	50
Pledges receivable, current maturities	4,325	10,490
Prepaid expenses	92,555	65,209
Total current assets	4,942,168	3,875,338
PROPERTY AND EQUIPMENT:		
Land	478,866	478,866
Building	4,388,938	4,388,938
Construction in progress	198,000	70,000
Equipment, furniture and fixtures	208,445	208,445
Leasehold improvements	167,782	167,782
Vehicles	137,485	137,485
Computer software/hardware	49,449	49,449
	5,628,965	5,500,965
Less - Accumulated depreciation	(1,221,107)	(1,071,338)
Net property and equipment	4,407,858	4,429,627
Total assets	\$ 9,350,026	\$ 8,304,965
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 42,543	\$ 31,994
Other accrued liabilities	79,891	68,653
Total current liabilities	122,434	100,647
Total liabilities	\$ 122,434	\$ 100,647
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	6,674,563	5,793,855
- Board designated	2,367,028	2,250,578
Temporarily restricted	186,001	159,885
Total net assets	9,227,592	8,204,318
Total liabilities and net assets	\$ 9,350,026	\$ 8,304,965

The accompanying notes are an integral part of this statement.

PEOPLE'S RESOURCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:						
Donations and appeals	\$ 1,630,600	\$ 53,430	\$ 1,684,030	\$ 1,690,710	\$ 84,819	\$ 1,775,529
Events/Fundraisers	73,493	-	73,493	94,792	-	94,792
Grants	1,482,674	361,150	1,843,824	2,345,274	466,500	2,811,774
Government funding	72,454	133,161	205,615	58,920	128,505	187,425
Investment return	213,915	-	213,915	226,956	-	226,956
Miscellaneous income	-	-	-	337	-	337
In-kind contributions	6,824,216	-	6,824,216	6,408,516	-	6,408,516
Net assets released upon satisfaction of purpose restrictions	521,625	(521,625)	-	664,854	(664,854)	-
Total public support and revenue	<u>10,818,977</u>	<u>26,116</u>	<u>10,845,093</u>	<u>11,490,359</u>	<u>14,970</u>	<u>11,505,329</u>
FUNCTIONAL EXPENSES:						
Program services	9,033,594	-	9,033,594	8,642,527	-	8,642,527
Fund development	263,760	-	263,760	267,903	-	267,903
Capital campaign	-	-	-	25,000	-	25,000
General administrative	524,465	-	524,465	501,938	-	501,938
Total functional expenses	<u>9,821,819</u>	<u>-</u>	<u>9,821,819</u>	<u>9,437,368</u>	<u>-</u>	<u>9,437,368</u>
CHANGE IN NET ASSETS	997,158	26,116	1,023,274	2,052,991	14,970	2,067,961
NET ASSETS, Beginning of year	<u>8,044,433</u>	<u>159,885</u>	<u>8,204,318</u>	<u>5,991,442</u>	<u>144,915</u>	<u>6,136,357</u>
NET ASSETS, End of year	<u>\$ 9,041,591</u>	<u>\$ 186,001</u>	<u>\$ 9,227,592</u>	<u>\$ 8,044,433</u>	<u>\$ 159,885</u>	<u>\$ 8,204,318</u>

The accompanying notes are an integral part of this statement.

PEOPLE'S RESOURCE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from public support and revenue	\$ 3,786,541	\$ 4,972,019
Cash paid for program services, employees, and suppliers	(2,853,393)	(2,896,176)
Interest income	63,793	40,201
Interest paid	-	(8,389)
	<u>996,941</u>	<u>2,107,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(128,000)	(131,689)
Sales of investments	932,716	318,958
Purchase of investments	(849,044)	(1,890,201)
	<u>(44,328)</u>	<u>(1,702,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (payments) on line of credit	-	(232,369)
Payments on mortgage payable	-	(244,777)
	<u>-</u>	<u>(477,146)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	952,613	(72,423)
CASH AND CASH EQUIVALENTS, Beginning of year	677,806	750,229
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,630,419</u>	<u>\$ 677,806</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net change in total net assets	<u>\$ 1,023,274</u>	<u>\$ 2,067,961</u>
Non-cash items included above:		
Depreciation	149,769	151,618
Unrealized (gain) on investments	(14,896)	(124,514)
Realized gain on investments	(135,226)	(57,373)
Changes in operating assets and liabilities:		
Decrease in promises to give, less promise to give for long-term purpose	6,165	111,913
(Increase) in grants receivable	(24,273)	(15,249)
(Increase) decrease in accounts receivable	(2,313)	630
(Increase) in prepaid expenses	(27,346)	(7,703)
(Decrease) increase in accounts payable	10,549	(4,808)
(Decrease) increase other accrued liabilities	11,238	(14,820)
	<u>(26,333)</u>	<u>39,694</u>
Net cash provided by operating activities	<u>\$ 996,941</u>	<u>\$ 2,107,655</u>

The accompanying notes are an integral part of this statement.

PEOPLE'S RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Fundraising	Management and General	Capital Campaign	Total
Salaries, taxes and benefits	\$ 1,138,873	\$ 192,879	\$ 360,010	\$ -	\$ 1,691,762
Building, grounds and utilities	208,131	6,705	12,069	-	226,905
Contracted services	75,021	4,569	97,854	-	177,444
Recruitment, training and retention	30,439	1,982	3,065	-	35,486
Marketing, fundraisers and development	48,085	53,930	652	-	102,667
Equipment maintenance and purchase	10,869	565	12,166	-	23,600
Business insurance	16,256	58	2,284	-	18,598
General (office supplies, printing, postage, miscellaneous)	22,453	2,365	34,909	-	59,727
Client assistance	7,335,861	-	-	-	7,335,861
Depreciation	147,606	707	1,456	-	149,769
Total functional expenses	<u>\$ 9,033,594</u>	<u>\$ 263,760</u>	<u>\$ 524,465</u>	<u>\$ -</u>	<u>\$ 9,821,819</u>

The accompanying notes are an integral part of this statement.

PEOPLE'S RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Capital Campaign</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 1,125,854	\$ 187,914	\$ 366,679	\$ 25,000	\$ 1,705,447
Building, grounds and utilities	191,571	6,898	18,233	-	216,702
Contracted services	31,675	-	62,899	-	94,574
Recruitment, training and retention	76,798	7,987	12,946	-	97,731
Marketing, fundraisers and development	39,684	59,933	920	-	100,537
Equipment maintenance and purchase	25,866	1,381	4,517	-	31,764
Business insurance	16,549	94	2,901	-	19,544
General (office supplies, printing, postage, miscellaneous)	22,450	2,485	31,202	-	56,137
Client assistance	6,963,313	-	-	-	6,963,313
Depreciation	148,767	1,211	1,641	-	151,619
Total functional expenses	<u>\$ 8,642,527</u>	<u>\$ 267,903</u>	<u>\$ 501,938</u>	<u>\$ 25,000</u>	<u>\$ 9,437,368</u>

The accompanying notes are an integral part of this statement.

PEOPLE'S RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

People's Resource Center (PRC) is a not-for-profit, social service organization founded in 1975 by community members looking to help neighbors who were facing financial hardship. PRC's mission is to respond to basic human needs, to promote dignity and justice, and to create a future of hope and opportunity for residents of DuPage County, through discovering and sharing personal and community resources.

PRC meets people's basic needs by providing to nearly 30,000 DuPage residents access to nutritious food, seasonally-appropriate clothing, connections to mainstream social services, and emergency financial assistance. In addition to our basic needs assistance, PRC offers empowerment programs including job assistance, literacy tutoring, computer training, and art classes. These programs help people find a new job, learn to read, improve their English language ability, gain U.S. citizenship, earn their GED, develop computer skills, gain access to the Internet, build a sense of community through art, and learn how to help their children with school studies, among other accomplishments to help people achieve self-sufficiency and break the cycle of poverty. PRC services are provided free to client families eliminating cost as a barrier to access. Services are provided from two owned facilities – Wheaton, IL and Westmont, IL and from over 30 partner locations throughout DuPage County.

PRC is able to provide these services because of the generosity and support from over 2,600 neighbors who volunteer their time and neighbors who donate food, clothing, books, computers and money to support PRC's work. PRC is governed by a volunteer Board of Directors.

The financial statements were available to be issued on November 28, 2018, with subsequent events being evaluated through this date.

The following is a brief summary of the accounting policies adopted by PRC:

Basis of Presentation -

Financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC), *Financial Statements of Not-for-Profit Organizations*. Under the ASC, 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 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation - (continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are 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.

Accounting Method -

The records of PRC are maintained and the financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, PRC considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject PRC to concentrations of credit risk consist principally of cash. PRC places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits from time to time.

Investments -

PRC has investments that are comprised of various equities and are carried at fair value.

Pledges Receivable -

Pledges receivable are recorded in the fiscal year, in which the notification of an unconditional pledge is received and then are classified as either unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of donor restrictions. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. For the years ended June 30, 2018 and 2017, management felt there was no need for an allowance.

Property and Equipment -

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over estimated useful lives ranging from three to forty years. PRC's capitalization policy is to capitalize expenditures in excess of \$1,500.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Restricted Resources -

PRC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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 support.

Estimates -

PRC prepares its financial statements according to generally accepted accounting principles in the United States of America which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Functional Allocation of Expenses -

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

(2) TAX STATUS:

PRC is exempt from federal income taxes as an organization described in 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

(3) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give:

	<u>2018</u>	<u>2017</u>
Capital campaign	\$ 3,350	\$ 6,300
Matching gifts	<u>975</u>	<u>4,190</u>
	<u>\$ 4,325</u>	<u>\$ 10,490</u>
	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	<u>\$ 4,325</u>	<u>\$ 10,490</u>

(4) INVESTMENTS:

The composition of investments is as follows:

	<u>2018</u>	<u>2017</u>
DuPage Foundation Endowment Fund	\$ 2,367,028	\$ 2,250,578
Certificates of deposit	<u>800,000</u>	<u>850,000</u>
	<u>\$ 3,167,028</u>	<u>\$ 3,100,578</u>

Investment return consists of the following:

Interest income	\$ 63,793	\$ 45,069
Realized gain	135,226	57,373
Unrealized gain on investments	<u>14,896</u>	<u>124,514</u>
	<u>\$ 213,915</u>	<u>\$ 226,956</u>

PRC has an unrestricted endowment fund that the board has designated to help meet operating needs.

(5) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(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 or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2018 and 2017.

DuPage Foundation Endowment Fund: Valued at the fair market value of PRC's share of net assets of the Foundation as of June 30, 2018 and 2017.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although PRC believes its valuation method is 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 table sets forth by level, within the fair value hierarchy, PRC's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
DuPage Foundation Endowment Fund	\$ -	\$ -	\$ 2,367,028	\$ 2,367,028
Total assets at fair value	\$ -	\$ -	\$ 2,367,028	2,367,028
Certificates of deposit				800,000
Total investments				\$ 3,167,028

(5) FAIR VALUE MEASUREMENTS: (Continued)

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
DuPage Foundation Endowment Fund	\$ -	\$ -	\$ 2,250,578	\$ 2,250,578
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250,578</u>	2,250,578
Certificates of deposit				<u>850,000</u>
Total investments				<u>\$ 3,100,578</u>

The table below sets forth a summary of changes in the fair value of PRC's level 3 assets for the years ended June 30, 2018 and 2017:

	<u>DuPage Foundation Fund Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 2,250,578	\$ 1,097,448
Realized and unrealized gain/(loss) relating to instruments held at end of year	150,122	181,887
Interest, purchases and sales, net	<u>(33,672)</u>	<u>971,243</u>
Balance, end of year	<u>\$ 2,367,028</u>	<u>\$ 2,250,578</u>

(6) BENEFICIAL INTEREST IN AN ENDOWMENT FUND:

PRC has a beneficial interest in an endowment fund established through the DuPage Foundation. Under the fund agreement, the fund shall be used to support PRC. PRC recognizes income as the DuPage Foundation distributes the interest earned on the endowment. The balance of this fund at June 30, 2018 and 2017 is \$13,497 and \$13,047, respectively.

(7) LINE OF CREDIT:

PRC had an \$850,000 line of credit from a bank. The line of credit was due in January 2018 bearing interest at prime and was secured by investments. The line of credit was not renewed during 2018. There were no outstanding borrowings as of June 30, 2018 and 2017.

Subsequent to year-end, PRC entered into a \$500,000 line of credit agreement with a bank due in July 2019, bearing an interest of .5% over the prime rate secured by the assets of PRC.

(8) RESTRICTED RESOURCES:

At June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Food Pantry	\$ 47,330	\$ 23,326
Adult Learning and Literacy	10,250	36,784
General Operations	38,919	17,498
Social Services including Family Connections	-	60,288
Future Capital Purchase	81,170	-
Other Empowerment Programs	<u>8,332</u>	<u>21,989</u>
	<u>\$ 186,001</u>	<u>\$ 159,885</u>

(9) DONATED SERVICES AND GOODS:

PRC is supported by in-kind services received from individual and organizational volunteers. PRC has over 2,600 volunteers whom account for over 98% of the total staff and have been and will continue to be the foundation by which PRC provides service to the community. PRC volunteers are a valued and essential part of their work. Volunteers are their foundation, their ambassadors, their advocates for those in need and their solution. The estimated value of these services is not reflected in the financial statements as they do not meet the requirements to be recorded.

PRC is supported by in-kind legal and other professional services. During the years ended June 30, 2018 and 2017, PRC received \$44,274 and \$43,918, respectively, of donated legal and other professional services.

(9) DONATED SERVICES AND GOODS: (continued)

PRC reports the estimated fair value of donated food, clothing, computers and other products over which it has control as unrestricted support and shortly thereafter as expense when distributed to its families. PRC does not estimate the value of providing classes and tutoring in the financial statements since it does not meet the requirements to be recorded. During the years ended June 30, 2018 and 2017, respectively, PRC estimated approximately \$6,779,942 and \$6,364,598 of in-kind goods which is broken down into the following categories:

	<u>2018</u>	<u>2017</u>
Food	84%	84%
Clothes	9%	9%
Computers	2%	3%
Other items	5%	4%

This level of in-kind support is vital to PRC's ability to continue to meet their community needs since all programs except for Food Pantry are 100% reliant on in-kind goods. The community supports PRC in-kind by donating:

	<u>2018</u>	<u>2017</u>
Pounds of food distributed	52%	52%
Computers distributed	100%	100%
Clothes distributed	100%	100%
Toys distributed at PRC's holiday program	100%	100%
Layettes, birthday bags and bicycles distributed	100%	100%

(10) RETIREMENT PLAN:

A simple IRA plan was started in August, 2002 and is available to all eligible employees. PRC matched employee contributions dollar for dollar of up to a maximum of 3% of an employee's annual salary for the years ended June 30, 2018 and 2017. There were employer matching contributions of \$28,140 and \$31,260 for the years ended June 30, 2018 and 2017, respectively.