

**BEDS PLUS CARE, INC.**

**Financial Statements**

**Year Ended June 30, 2016**

November 21, 2016

**BEDS Plus Care Inc.**  
150 South Ashland  
LaGrange, Illinois 60525

**Independent Auditor's Report**

To the Board of Directors:

**Report on the Financial Statements**

We have audited the accompanying financial statements of BEDS Plus Care, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

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 BEDS Plus Care, Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Peter Shannon & Co.*

**Certified Public Accountants**

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**BEDS Plus Care, Inc.**  
**Statement of Financial Position**  
**June 30, 2016**

<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 236,526
Grants Receivable	122,407
Pledges Receivable	259,283
	<u>618,216</u>
<u>Property and Equipment (Notes 2 and 6)</u>	
(Net of Accumulated Depreciation of \$13,909)	<u>\$ 332,773</u>
<u>Total Assets</u>	<u>\$ 950,989</u>
 <u>Liabilities and Net Assets</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 5,247
Unearned Government Grants	17,292
Unearned Foundation Grants	15,000
	<u>37,539</u>
<u>Long-Term Liabilities</u>	
Note Payable (Note 7)	<u>\$ 110,000</u>
<u>Net Assets (Note 2)</u>	
Unrestricted	\$ 290,788
Temporarily Restricted	512,662
	<u>803,450</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 950,989</u>

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

**BEDS Plus Care, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Revenue</u></b>			
Faith Contributions	\$ 36,513	\$	\$ 36,513
Faith Contributions - PSH Corporations	28,532	28,800	28,800
Corporations - PSH		2,000	2,000
Civic Organizations	36,550		36,550
Individuals	81,217		81,217
Individuals-PSH		188,262	188,262
Government Grants	132,554		132,554
Private Foundations	193,305		193,305
Private Foundations - PSH		249,500	249,500
United Way		44,100	44,100
Donations In-Kind	279,508		279,508
Special Events			
Gross Receipts	35,813		35,813
Direct Expenses	(12,482)		(12,482)
Assets Released from Restriction	54,100	(54,100)	
	<u>\$ 865,610</u>	<u>\$ 458,562</u>	<u>\$ 1,324,172</u>
<b><u>Expenses</u></b>			
Program Services	\$ 749,371	\$	\$ 749,371
Management and General	70,864		70,864
Fundraising Expenses	75,497		75,497
	<u>\$ 895,732</u>	<u>\$</u>	<u>\$ 895,732</u>
<b><u>Other Revenue</u></b>			
Interest	\$ 99	\$	\$ 99
Other	7,077		7,077
	<u>\$ 7,176</u>	<u>\$</u>	<u>\$ 7,176</u>
<b><u>Increase (Decrease) in Net Assets</u></b>	<u>\$ (22,946)</u>	<u>\$ 458,562</u>	<u>\$ 435,616</u>

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

Exhibit III

BEDS Plus Care, Inc.  
Statement of Functional Expenses  
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising Expenses	Total
Salaries	\$ 188,063	\$ 38,200	\$ 33,297	\$ 259,560
Audit Fees		1,600		1,600
Client Assistance	42,361			42,361
Depreciation	4,254	426	638	5,318
Dues and Subscriptions	810			810
Employment Training	67			67
General Insurance	7,615	762	1,142	9,519
Grant Writing			29,028	29,028
Health Savings Account		3,825		3,825
Client Meals and Laundry	149,633			149,633
Client Medical Care	10,219			10,219
Miscellaneous	12,527	4,409	1,290	18,226
Payroll Taxes	16,380	1,637	2,457	20,474
Postage and Shipping	2,487			2,487
Printing	808		7,645	8,453
Professional Fees		5,390		5,390
Retirement Plan Expense		4,692		4,692
Project Wellness	11,219			11,219
Rent	157,907	6,800		164,707
Staff Development		2,259		2,259
Supportive Housing Project	131,525			131,525
Telephone and Internet	5,544	864		6,408
Transportation	6,508			6,508
Utility Assistance	1,022			1,022
Volunteer Appreciation	422			422
	<u>\$ 749,371</u>	<u>\$ 70,864</u>	<u>\$ 75,497</u>	<u>\$ 895,732</u>

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



BEDS Plus Care, Inc.  
Statement of Changes in Net Assets  
Year Ended June 30, 2016

<u>Net Assets, Unrestricted - Beginning of Year</u>	\$ 367,834
<u>Increase in Net Assets for the Year</u>	<u>435,616</u>
<u>Net Assets, Unrestricted - End of Year</u>	<u>\$ 803,450</u>

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

**BEDS Plus Care, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

**Operating Activities**

Increase in Net Assets	\$ 435,616
Adjustments to Reconcile Increase in Net Assets	
Net Cash Provided by Operating Activities	
Depreciation	5,318
Changes in Operating Assets and Liabilities	
(Increase) in Receivables	(246,674)
Increase in Unearned Government Grants	20,421
(Decrease) in Accounts Payable and Accrued Expenses	(77,681)

**Net Cash Provided by Operating Activities** \$ 137,000

**Investing Activities**

(Acquisition) of Land \$ (50,000)

**Net Cash (Used) by Investing Activities** \$ (50,000)

**Increase in Cash and Cash Equivalents** \$ 87,000

**Cash and Cash Equivalents - Beginning of Year** 149,526

**Cash and Cash Equivalents - End of Year** \$ 236,526

**Supplemental Information**

Interest Payments \$ 99

Income Tax Payments \$ - 0 -

**Supplemental Disclosures**

Noncash Investing and Financing Transactions  
There Were No Noncash Investing and Financing Transactions

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



**BEDS Plus Care, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1**

**Organization**

BEDS Plus Care, Inc. (The Organization) is a not-for-profit organization formed in 1988 to provide emergency overnight shelter to the homeless in southwest suburban Cook County. The mission of the Organization is to stabilize the lives of vulnerable individuals through housing and supportive services. The Organization continues to provide emergency overnight shelter as well as case management and a variety of housing programs.

**Note 2**

**Summary of Significant Accounting Policies**

**Revenue and Cost Recognition**

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture and Fixtures	Five to Seven Years
Leasehold Improvements	Five to Seven Years

Repairs and improvements are expensed in the year incurred.

**Long-Lived Assets**

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets are recognized based on the excess of the asset's carrying amount over the fair value of the asset. In management's opinion, no impairment exists.

**Asset Retirement Obligations**

Management has determined that a conditional asset retirement obligation exists for asbestos in certain buildings of the Organization. Regulations are in place that require the Organization to handle and dispose of this type of asbestos in a special manner if the building undergoes major renovations or is demolished. Management believes it does not have sufficient information to estimate the fair value of the asset retirement obligation because the settlement date or the range of potential settlement dates has not been specified and information is not available to apply an expected present value technique.

**Net Assets**

Unrestricted net assets consist of resources available for the various programs and administration of the Organization which have not been restricted by a donor or other outside party. Board designated funds are established by the Organization and represent unrestricted funds which have been set aside for future major renovations, debt reduction, and capital construction projects of the Organization.

**BEDS Plus Care, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 2**

**Summary of Significant Accounting Policies (Continued)**

**Net Assets (Continued)**

Temporarily restricted net assets include all the restricted support and revenue of the Organization. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

Permanently restricted net assets include funds received from donors with the stipulation that they be permanently retained by the Organization in perpetuity and that only the income and/or use of the assets available to the Organization. At June 30, 2016, there are no permanently restricted net assets.

**Advertising**

The Organization expenses advertising costs as they are incurred.

**Real Estate and Income Taxes**

The Organization is exempt from federal income tax under the provisions corresponding to Section 501(c)(3) of the Internal Revenue Code.

Management believes the Organization's federal income tax returns for the previous three years are subject to examination by the applicable taxing authority.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from those estimates.

**Accounting Standards Updates Issued Not Yet Adopted**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2015-14 deferred the effective date of ASU 2014-09. ASU No. 2014-09 is now effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet determined the impact on its financial statements.

**Contributions and Grants**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants and other contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of 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.

**BEDS Plus Care, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 3**      **Fair Values**

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short period of time to maturity. Fair values of current maturities of long-term debt and long-term debt are based on amortization schedules using original loan information. The Organization has no current plans to retire a significant amount of its debt prior to maturity and, therefore, no consideration is given to liquidity issues in valuing debt.

**Note 4**      **Concentrations of Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Organization may hold significant amounts of money in various banks in excess of the amount covered under FDIC insurance. Concentrations of credit with respect to trade receivables are limited due to the large number of tenants comprising the Organization's tenant base.

Historically, the Organization does not have any one tenant or group of tenants for a significant part of its revenue, and the Organization expects its future revenue to be diversified such that this trend continues. Additionally, the Organization does not have a concentration of available sources of supply, material, labor, services or other rights that, if suddenly eliminated, could severely impact its operations.

**Note 5**      **Accounts Receivable**

Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. As of June 30, 2016, the Organization's allowance for doubtful accounts was \$ - 0 - .

**Note 6**      **Property and Equipment**

**Assets**

Land	\$ 235,431
Construction in Process	82,758
Leasehold Improvements	23,818
Furniture and Fixtures	4,675

\$ 346,682

**Accumulated Depreciation**

13,909

**Net Property and Equipment**

\$ 332,773

**Note 7**      **Note Payable**

**Mortgage**

In connection with the purchase of land, with the intention of building a permanent supportive care facility, the Organization has entered into a \$110,000 note payable, with an individual as lender, secured by a mortgage. The note bears interest at 2% per annum with principal and interest due June 25, 2018 "(Maturity Date)." Under terms of the note, if the Organization is unable to refinance the loan by the Maturity Date or has determined that it will not be able to develop the property as a permanent supportive care facility consistent with the Organization's intended plans the Organization shall convey the property to the lender in full satisfaction of the amount due to the lender under this note.

\$ 110,000

Less: Current Maturity

- 0 -

\$ 110,000

**BEDS Plus Care, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8**            **Retirement Plans**

The Organization has a Simple IRA under which it makes a matching contribution of three percent of each participant's compensation. The plan allows for participant contributions up to \$12,000. Employees are eligible after receiving a minimum amount of compensation specified by the employer during any of the preceding years. The Organization's contribution to the Plan was \$4,963 during the fiscal year.

**Note 9**            **Donated Services**

The Organization receives a significant amount of donated services from hundreds of unpaid volunteers assisting the Organization in carrying out its programs to provide shelter, meals, and other services to the homeless. The services provided by these volunteers do not meet the requirements for recognition in the financial statements and, accordingly, have not been included in the revenues and program expenses. The total hours worked were 10,938 at an estimated fair market value of \$21.36 for a total estimated fair market value of \$233,636 for the year ended June 30, 2016.

The Organization also received a substantial amount of donated legal services from Katten Muchin Rosenman LLP related to the Permanent Supportive Housing Development that have not been reflected in the financial statements.

The Organization has recorded the following donated goods and services as in-kind contributions for the year ended June 30, 2016:

Rent	\$	115,020
Meals and Laundry		136,557
Legal Services		23,639
Client Financial Assistance		2,700
Medical Care		1,592
		<hr/>
	\$	<u>279,508</u>

**Note 10**           **Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of a \$44,100 grant commitment from the United Way of Metropolitan Chicago to be used during fiscal year 2017, and \$490,262 received in grants and individual donations for the Organizations Permanent Supportive Housing Project. This project is the construction of a multi-family property with twenty units with commercial space for the Organization's offices. All twenty units will be set aside for households earning at or below 80% of area median income as well as formally homeless individuals with a documented disability.

**Note 11**           **Permanent Supportive Housing Development**

Through a mixture of public financing sources and private donations, the Organization has embarked on an ambitious \$6,400,000 permanent supportive housing development at 9601 West Ogden Avenue, LaGrange. The Organization received commitments of \$3,700,000 of tax credit financing from the Illinois Development Housing Authority, a \$1,200,000 permanent loan from the Cook County Department of Economic Development, and a \$300,000 grant from the Federal Home Loan Bank. A capital campaign produced restricted cash of \$468,562 and pledges receivable of \$259,283 as of June 30, 2016. A mortgage and cash payment for development site is represented in these financial statements. The Organization anticipates ground breaking before the end of the fiscal year in 2017.

**BEDS Plus Care, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 12**      **Unearned Government Grants**

Unearned government grants includes \$7,167 the unspent portion of a \$38,000 grant from the Cook County of Illinois for the Emergency Solutions Grants program, and \$10,125 the unspent portion of a \$20,000 grant from Cook County of Illinois for the CDBG program.

**Note 13**      **Unearned Foundation Grants**

Unearned foundation grants include \$15,000 the unspent portion of a \$15,000 grant from the Blowitz-Ridgeway Foundation.

**Note 14**      **Partnership with Housing Forward, Inc.**

The Organization has entered into an agreement with Housing Forward, Inc., a fiscal agent. Housing Forward, Inc. is responsible for administrating the WIN Supportive Housing Program for the Organization. As such, the Organization was reimbursed for approximately \$23,900 of expenses related to this program. The remaining amount of the \$156,000 grant was disbursed directly to the recipients from Housing Forward, Inc.

**Note 15**      **Functional Allocation of Expenses**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

**Note 16**      **Subsequent Events**

Management has evaluated subsequent events through November 21, 2016, the date on which the financial statements were available to be issued.

During November 2016, the mortgage note of \$110,000 was forgiven by the lender.