

LYDIA HOME ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2011 and 2010

GAIL L. MATHEWS & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
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MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lydia Home Association

We have audited the accompanying statements of financial position of Lydia Home Association (the Association) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Gail L. Mathews & Associates LLC

Glen Ellyn, Illinois
November 11, 2011

LYDIA HOME ASSOCIATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash	\$ 746,520	\$ 930,292
Receivables:		
Due from State of Illinois - Department of Children and Family Services	129,041	232,369
Other	182,385	277,576
Investments	776,754	745,983
Prepaid expenses	139,165	139,071
Land, buildings and equipment, net	<u>954,531</u>	<u>1,021,910</u>
Total assets	<u>\$ 2,928,396</u>	<u>\$ 3,347,201</u>
Liabilities and Net Assets		
Accounts payable	\$ 400,297	\$ 564,984
Accrued vacation pay	232,522	242,387
Deferred revenue	127,091	191,348
Notes payable	<u>5,999</u>	<u>5,999</u>
Total	<u>759,910</u>	<u>1,004,718</u>
Net assets:		
Unrestricted net assets	1,630,326	1,870,300
Temporarily restricted net assets	<u>538,160</u>	<u>472,183</u>
Total net assets	<u>2,168,486</u>	<u>2,342,483</u>
Total liabilities and net assets	<u>\$ 2,928,396</u>	<u>\$ 3,347,201</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENTS OF ACTIVITIES
for the years ended June 30, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Department of Children and Family Services						
Residential	\$ 4,049,649		\$ 4,049,649	\$ 4,056,979		\$ 4,056,979
Foster care	990,061		990,061	1,017,416		1,017,416
Other government grants	523,693		523,693	902,026		902,026
Program services fees	617,651		617,651	569,653		569,653
Milk and Lunch program	42,210		42,210	44,993		44,993
Contributions and bequests	1,255,926	\$ 416,970	1,672,896	927,901	360,145	1,288,046
Special events	255,259		255,259	295,673		295,673
Investment income	24,960	1,235	26,195	96,688	1,199	97,887
Other revenue	24,949		24,949	19,358		19,358
Net assets released from restrictions	<u>352,228</u>	<u>(352,228)</u>		<u>137,682</u>	<u>(137,682)</u>	
Total revenues, gains and other support	<u>8,136,586</u>	<u>65,977</u>	<u>8,202,563</u>	<u>8,068,369</u>	<u>223,662</u>	<u>8,292,031</u>
Expenses:						
Program services:						
Residential	4,281,653		4,281,653	4,232,329		4,232,329
Child daycare	326,081		326,081	267,542		267,542
Foster care	1,027,799		1,027,799	1,039,508		1,039,508
Urban Academies	395,986		395,986	390,643		390,643
Safe Families	1,092,835		1,092,835	704,747		704,747
Other	<u>912,264</u>		<u>912,264</u>	<u>1,143,229</u>		<u>1,143,229</u>
Total program services	<u>8,036,618</u>		<u>8,036,618</u>	<u>7,777,998</u>		<u>7,777,998</u>
Supporting services:						
Management and general	22,609		22,609	6,043		6,043
Fund raising	<u>317,333</u>		<u>317,333</u>	<u>289,383</u>		<u>289,383</u>
Total supporting services	<u>339,942</u>		<u>339,942</u>	<u>295,426</u>		<u>295,426</u>
Total expenses	<u>8,376,560</u>		<u>8,376,560</u>	<u>8,073,424</u>		<u>8,073,424</u>
Change in net assets	(239,974)	65,977	(173,997)	(5,055)	223,662	218,607
Net assets at beginning of year	<u>1,870,300</u>	<u>472,183</u>	<u>2,342,483</u>	<u>1,875,355</u>	<u>248,521</u>	<u>2,123,876</u>
Net assets at end of year	<u>\$ 1,630,326</u>	<u>\$ 538,160</u>	<u>\$ 2,168,486</u>	<u>\$ 1,870,300</u>	<u>\$ 472,183</u>	<u>\$ 2,342,483</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2011

	Program Services						Supporting Services		
	Residential	Child daycare	Foster care	Urban Academies	Safe Families	Other	Management and general	Fund Raising	Total
Employee compensation:									
Salaries	\$ 2,493,613	\$ 156,808	\$ 388,693	\$ 248,515	\$ 528,075	\$ 510,083	\$ 314,420	\$ 190,587	\$ 4,830,794
Payroll taxes and employee benefits	<u>457,250</u>	<u>38,256</u>	<u>74,126</u>	<u>37,118</u>	<u>81,303</u>	<u>107,256</u>	<u>86,480</u>	<u>40,651</u>	<u>922,440</u>
Total employee compensation	2,950,863	195,064	462,819	285,633	609,378	617,339	400,900	231,238	5,753,234
Occupancy	247,946	11,683	23,794	2,746	35,487	23,086	94,190	553	439,485
Supplies	270,249	11,643	3,931	32,041	11,216	23,562	29,963	5,921	388,526
Specific assistance to individuals	157,893	2,207	131,257	106	6,979	72,649			371,091
Foster parent payments			273,932						273,932
Transportation	123,268	300	23,300	541	48,720	15,013	1,785	1,879	214,806
Rent	3,829	99	167	21,008	2,614	3,287	13	2	31,019
Operational support	40,996	1,523	10,763	10,417	48,370	39,504	88,260	18,622	258,455
Contractual employees/consultants	44,891	150		1,835	146,541	92,393	28,184	5,122	319,116
Miscellaneous	<u>29,033</u>	<u>70,213</u>	<u>3,285</u>	<u>6,618</u>	<u>33,079</u>	<u>18,683</u>	<u>2,331</u>	<u>53,564</u>	<u>216,806</u>
Total direct expenses before depreciation of buildings and equipment	3,868,968	292,882	933,248	360,945	942,384	905,516	645,626	316,901	8,266,470
Depreciation of buildings and equipment	<u>41,287</u>	<u>10,981</u>	<u>25,456</u>	<u>1,230</u>	<u>450</u>	<u>4,687</u>	<u>25,567</u>	<u>432</u>	<u>110,090</u>
Total direct expenses	<u>3,910,255</u>	<u>303,863</u>	<u>958,704</u>	<u>362,175</u>	<u>942,834</u>	<u>910,203</u>	<u>671,193</u>	<u>317,333</u>	<u>8,376,560</u>
Management and general									
Salary and benefits	244,127	14,699	42,855	22,368	57,233	47,802	(429,084)		
Administrative	110,337	6,643	19,370	10,110	25,868	21,605	(193,933)		
Other	<u>14,547</u>	<u>876</u>	<u>2,553</u>	<u>1,333</u>	<u>3,410</u>	<u>2,848</u>	<u>(25,567)</u>		
Total management and general	369,011	22,218	64,778	33,811	86,511	72,255	(648,584)		
Program allocation	<u>2,387</u>		<u>4,317</u>		<u>63,490</u>	<u>(70,194)</u>			
Total indirect expenses	<u>371,398</u>	<u>22,218</u>	<u>69,095</u>	<u>33,811</u>	<u>150,001</u>	<u>2,061</u>	<u>(648,584)</u>		
Total expenses	<u>\$ 4,281,653</u>	<u>\$ 326,081</u>	<u>\$ 1,027,799</u>	<u>\$ 395,986</u>	<u>\$ 1,092,835</u>	<u>\$ 912,264</u>	<u>\$ 22,609</u>	<u>\$ 317,333</u>	<u>\$ 8,376,560</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2010

	Program Services						Supporting Services		
	Residential	Child daycare	Foster care	Urban Academies	Safe Families	Other	Management and general	Fund Raising	Total
Employee compensation:									
Salaries	\$ 2,555,927	\$ 141,126	\$ 375,648	\$ 234,226	\$ 360,437	\$ 663,682	\$ 302,456	\$ 162,872	\$ 4,796,374
Payroll taxes and employee benefits	<u>437,114</u>	<u>29,255</u>	<u>62,798</u>	<u>35,561</u>	<u>62,566</u>	<u>132,736</u>	<u>83,139</u>	<u>33,735</u>	<u>876,904</u>
Total employee compensation	2,993,041	170,381	438,446	269,787	423,003	796,418	385,595	196,607	5,673,278
Occupancy	211,449	9,419	46,805	2,348	13,212	31,431	93,237	243	408,144
Supplies	226,106	12,486	7,536	30,470	24,621	70,273	19,887	5,453	396,832
Specific assistance to individuals	122,440		111,038	103	19,185	39,499		49	292,314
Foster parent payments			304,012						304,012
Transportation	111,487	86	19,505	414	31,489	10,611	1,544	1,618	176,754
Rent	8,391	100	240	21,008	14	14,641	(157)	3	44,240
Operational support	36,093	1,285	13,685	11,884	33,060	38,828	100,704	14,083	249,622
Contractual employees/consultants	55,074			830	89,829	47,202	38,432	10,265	241,632
Miscellaneous	<u>20,696</u>	<u>37,937</u>	<u>2,103</u>	<u>16,800</u>	<u>2,798</u>	<u>26,655</u>	<u>6,041</u>	<u>61,062</u>	<u>174,092</u>
Total direct expenses before depreciation of buildings and equipment	3,784,777	231,694	943,370	353,644	637,211	1,075,558	645,283	289,383	7,960,920
Depreciation of buildings and equipment	<u>43,154</u>	<u>13,781</u>	<u>25,486</u>	<u>1,066</u>	<u>67</u>	<u>3,278</u>	<u>25,672</u>		<u>112,504</u>
Total direct expenses	<u>3,827,931</u>	<u>245,475</u>	<u>968,856</u>	<u>354,710</u>	<u>637,278</u>	<u>1,078,836</u>	<u>670,955</u>	<u>289,383</u>	<u>8,073,424</u>
Management and general									
Salary and benefits	257,892	14,073	45,056	22,915	43,026	41,065	(424,027)		
Administrative	130,892	7,142	22,868	11,631	21,838	20,842	(215,213)		
Other	<u>15,614</u>	<u>852</u>	<u>2,728</u>	<u>1,387</u>	<u>2,605</u>	<u>2,486</u>	<u>(25,672)</u>		
Total indirect expenses	<u>404,398</u>	<u>22,067</u>	<u>70,652</u>	<u>35,933</u>	<u>67,469</u>	<u>64,393</u>	<u>(664,912)</u>		
Total expenses	<u>\$ 4,232,329</u>	<u>\$ 267,542</u>	<u>\$ 1,039,508</u>	<u>\$ 390,643</u>	<u>\$ 704,747</u>	<u>\$ 1,143,229</u>	<u>\$ 6,043</u>	<u>\$ 289,383</u>	<u>\$ 8,073,424</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (173,997)	\$ 218,607
Change in unrealized and realized appreciation on investments	1,527	(77,002)
Loss on disposition of equipment		345
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used) by operating activities		
Depreciation	110,090	112,504
Changes in assets and liabilities:		
Receivables	198,519	(113,630)
Prepaid expenses	(94)	3,274
Accounts payable and accrued expenses	(174,552)	91,706
Deferred revenue	<u>(64,257)</u>	<u>(27,849)</u>
Net cash (used) provided by operating activities	<u>(102,764)</u>	<u>207,955</u>
Cash flows from investing activities		
Additions to land, buildings, and equipment	(42,711)	(45,063)
Purchase of investments	(192,298)	(334,057)
Proceeds from sales of investments	<u>160,000</u>	<u>512,143</u>
Net cash (used) provided by investing activities	<u>(75,009)</u>	<u>133,023</u>
Cash flows from financing activities		
Payments on borrowings	<u>(5,999)</u>	<u>(8,147)</u>
Net cash (used) by financing activities	<u>(5,999)</u>	<u>(8,147)</u>
Net (decrease) increase in cash	(183,772)	332,831
Cash balance at beginning of year	<u>930,292</u>	<u>597,461</u>
Cash balance at end of year	<u>\$ 746,520</u>	<u>\$ 930,292</u>
Supplementary cash flow information:		
Interest paid	<u>\$ 239</u>	<u>\$ 768</u>

See accompanying notes to financial statements.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - NATURE OF ACTIVITIES

Lydia Home Association (the Association) provides a diverse range of programs to meet the physical, emotional and spiritual needs of at-risk children and families. The Chicago-based organization, founded in 1916, provides residential treatment and foster care for abused and neglected children, alternative high schools (urban academies) in Chicago and Rockford, Illinois, day care services for preschool and kindergarten children, a child-abuse prevention program and a community counseling center for low-income clients. The Association also operates Safe Families for Children in multiple states, providing temporary care for children whose parents are dealing with a crisis.

The organization's Residential and Foster Care programs are funded primarily by the State of Illinois, Department of Children and Family Services. Support for these and other programs is also received from churches, community organizations, foundations, corporations and individuals. Approximately 64% and 65% of the Association's support for the years ended June 30, 2011 and 2010, respectively, came from State of Illinois contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Materials and Services

The Association receives donations of clothing, furniture, equipment, toys and food which are recorded as contributions and expensed in the accompanying financial statements at their estimated fair market value. In kind donations for the years ended June 30, 2011 and 2010 totaled \$244,975 and \$191,599, respectively.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the years ended June 30, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association at the residents' facilities and which do not meet the requirements for recognition in the financial statements.

Estimates

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

Land, Buildings and Equipment

Donations of real estate, furniture, fixtures, equipment and vehicles are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful life of the assets.

Fair Value Hierarchy

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 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 under FASB ASC 820 are described as follows:

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Hierarchy (Continued)

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date;
- Level 2 - Inputs that are quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 - Inputs that are unobservable.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the Association's perceived risk of that investment or the categorization of the investment portfolio held by that investment.

Investments

Amounts invested in money market funds are stated at cost plus reinvested interest which approximates fair market value. Investments in the annuity, equities, municipal, corporate and U.S. Treasury bonds are stated at fair market value. Fair values are determined by quoted market prices in active markets at June 30, 2011 and 2010 and are therefore classified within level 1. The cost of investments sold is determined using the specific identification method with realized gains and losses included in investment income. Dividend and interest income are accrued when earned.

Income Taxes

The Association has received a determination letter from the Internal Revenue Service which stated that the Association is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code although it would be subject to tax on income unrelated to its exempt

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

purposes. The Association has been classified as an organization that is not a private foundation under Section 509 (a)(2). The tax years ending June 30, 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes. Contributions to the Association are tax deductible to donors under section 170 of the Code.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Lawndale Community PCIT	\$ 8,644	\$ 8,644
Safe Families	226,555	282,761
Safe Families - national	142,918	
Romania	18,338	21,380
Equipment	72,167	96,143
Quad cities	5,137	
International	2,778	2,832
Scholarships	36,500	35,266
Project Music	19,412	14,650
You Share	5,000	
Other	711	10,507
	<u>\$ 538,160</u>	<u>\$ 472,183</u>

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 - RESTRICTIONS ON ASSETS (Continued)

Temporarily restricted net assets released from restrictions during 2011 and 2010 were comprised of the following:

	<u>2011</u>	<u>2010</u>
Safe Families	\$ 281,661	\$ 97,568
Project Music	14,650	
Other`	10,507	
Romania	21,380	14,743
International	54	
Equipment	<u>23,976</u>	<u>25,371</u>
	<u>\$ 352,228</u>	<u>\$ 137,682</u>

NOTE 4 - INVESTMENTS

The components of the Association's investments as of June 30, 2011 and 2010 are as follows:

	<u>June 30, 2011</u>		
	<u>Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Appreciation</u>
Money market funds	\$ 10,206	\$ 10,206	
Taxable municipal bonds	190,756	192,521	\$ 1,765
Annuity	45,000	74,435	29,435
Corporate	487,940	494,450	6,510
Equities	<u>4,578</u>	<u>5,142</u>	<u>564</u>
Total	<u>\$ 738,480</u>	<u>\$ 776,754</u>	<u>\$ 38,274</u>
		<u>June 30, 2010</u>	
		<u>Quoted Market Value</u>	<u>Unrealized Appreciation</u>
Money market funds	\$ 4,481	\$ 4,481	
Taxable municipal bonds	134,675	136,277	\$ 1,602
Annuity	45,000	71,918	26,918
Corporate and U.S. Treasury notes	<u>527,674</u>	<u>533,307</u>	<u>5,633</u>
Total	<u>\$ 711,830</u>	<u>\$ 745,983</u>	<u>\$ 34,153</u>

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 - INVESTMENTS (Continued)

Investment return for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Dividends and interest net of fees of \$3,515 and \$2,573, respectively	\$ 27,722	\$ 20,885
Realized (loss) gain	(5,648)	113,593
Unrealized gain (loss)	<u>4,121</u>	<u>(36,591)</u>
Net (loss) gain	<u>(1,527)</u>	<u>77,002</u>
Total investment return on investments	<u>\$ 26,195</u>	<u>\$ 97,887</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Land, buildings and equipment consist of:

	<u>2011</u>	<u>2010</u>
Land and buildings	\$ 3,194,174	\$ 3,166,011
Furniture and fixtures	737,980	723,432
Automobiles	<u>219,583</u>	<u>219,583</u>
	4,151,737	4,109,026
Less accumulated depreciation	<u>3,197,206</u>	<u>3,087,116</u>
	<u>\$ 954,531</u>	<u>\$ 1,021,910</u>

Depreciation expense was \$110,090 for the year ended June 30, 2011 and \$112,504 for the year ended June 30, 2010.

In 2003, the Association received a grant in the form of a housing unit. In exchange for the property the Association has entered into an Operating Agreement and agreed to, among other things, use the property in a program to provide certain foster care services for a term of 10 years. Furthermore, during the term of the Operating Agreement, in the event the Association is unable or unwilling to continue to operate the property in accordance with the terms and conditions of the Operating Agreement and all licensing standards of the Department of Children and Family Services (DCFS) or if the license issued by DCFS is revoked or suspended, the grantor has the right to compel the Association to convey the property to another entity. At June 30, 2011, this property is included in the statement of financial position in land, buildings and equipment, net at its carrying value of \$235,000 net of \$65,000 accumulated depreciation.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 - BENEFIT PLAN

In 2009, the Association established a 401(k) Plan in which substantially all employees having attained age 21 may participate. Employees may contribute a portion of their compensation (the salary deferral) subject to certain limits based on federal tax laws. The Association's discretionary matching contributions are to be based on a uniform percentage of the employee's salary deferral not to exceed a certain dollar amount or a certain percentage. Matching contributions vest to the employee after completion of three years of service or upon death, disability or normal retirement. There were no expenses attributable to the Plan for 2011 and 2010.

NOTE 7 - RELATED - PARTY TRANSACTIONS

The Association entered into various transactions with individuals in which certain board members or employees have a direct or indirect interest. These transactions were limited to wages, associated benefits, and reimbursement for supplies paid to two full-time Urban Academy teachers and one full-time accounting clerk who are relatives of either a board member or the executive director. The total value of these transactions in 2011 was \$89,248 and in 2010 was \$77,760, all of which was expensed.

NOTE 8 - NOTES PAYABLE

The Association had two notes payable at June 30, 2010 which were repaid during 2011.

NOTE 9 - LINE OF CREDIT

At June 30, 2011 the Association had a \$400,000 line of credit with a Bank. The line matured October 6, 2011 and was extended to December 6, 2011. The line bears interest at the annual rate of prime (3.25% at June 30, 2011) plus .5%. The line is collateralized by the Association's real estate at 4839 W. Irving Park Road in Chicago. The Association has agreed to maintain unrestricted net assets of not less than \$1,500,000 and provide certain financial information periodically to the Bank. There was no balance outstanding on the line of credit at June 30, 2011.

LYDIA HOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10 - PLANNED CONTRIBUTION OF EXISTING PROGRAMS

During the coming year, the Association intends to contribute the national Safe Families program and the You Share program to two new 501(c)3 organizations.. These programs are included in the Association's statement of activities for the year ended June 30, 2011 and have restricted contributions included in temporarily restricted net assets at June 30, 2011.

The revenues and expenses for these programs for the year ended June 30, 2011 were as follows:

	Safe Families National	You Share
Contributions	\$ 204,669	\$ 5,000
Employee compensation	81,823	
Supplies	2,202	353
Transportation	1,281	
Operational support	11,988	5,507
Contractual employees/consultants	72,785	67,164
Miscellaneous	5,679	
Depreciation of buildings and equipment	36	
Total direct expenses	175,794	73,024
Total indirect expenses	28,875	(68,024)
Total expenses	\$ 204,669	\$ 5,000

Temporarily restricted net assets as of June 30, 2011 for the national Safe Families program was \$142,918 and for the You Share program was \$5,000.

NOTE 11 - SUBSEQUENT EVENT

Subsequent events have been evaluated for recognition in the 2011 financial statements through November 11, 2011, the date on which the financial statements were available to be issued.