Metropolitan Family Services
Audited Financial Statements
June 30, 2016

metropolitan family services

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Contents

Independent Auditor's Report

To the Board of Directors
Metropolitan Family Services
Chicago, Illinois

Report on the Financial Statements
We have audited the accompanying financial statements of Metropolitan Family Services (the Agency), which comprise the statements of financial position as of June 30, 2016 and 2015, 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. 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.

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 Metropolitan Family Services as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
October 31, 2016

Metropolitan Family Services

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash	**$ 119,139**	$ 128,448
Receivables (net of allowance):		
Government grants	**8,755,309**	7,510,539
Fund raising pledges	**5,299,189**	3,346,565
Other	**199,521**	230,624
Prepaid expenses	**618,039**	376,724
Investments	**37,975,067**	41,854,866
Bond issuance costs, net	**144,203**	164,239
Property and equipment, net	**17,598,792**	16,531,513
Beneficial interest in irrevocable perpetual trusts	**15,427,055**	16,427,293
Total assets	**$ 86,136,314**	$ 86,570,811
Liabilities		
Accounts payable and accrued expenses	**$ 3,806,250**	$ 3,953,613
Deferred revenue	**220,134**	421,575
Line of credit	**6,975,000**	3,950,000
Funds held in custody for others	**17,244**	24,385
Notes payable	**988,269**	1,045,547
Interest rate swap	**4,848,763**	3,721,083
Bonds payable	**12,700,000**	12,700,000
Accrued pension expense	**9,132,524**	5,317,244
Total liabilities	**38,688,184**	31,133,447
Net assets (deficit):		
Unrestricted	**(11,942,941)**	(5,783,280)
Temporarily restricted	**38,397,525**	39,226,860
Permanently restricted	**20,993,546**	21,993,784
Total net assets	**47,448,130**	55,437,364
Total liabilities and net assets	**$ 86,136,314**	$ 86,570,811

See notes to financial statements.

Metropolitan Family Services

Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Agency
Operating:				
Public support:				
MFS Annual Campaign and the Campaign to M-Power Families	$ 6,090,268	$ 3,808,999	$ -	$ 9,899,267
United Way of Metropolitan Chicago	1,887,530	74,087	-	1,961,617
Government grants	30,666,486	-	-	30,666,486
In-kind contributions	2,937,145	-	-	2,937,145
Total public support	41,581,429	3,883,086	-	45,464,515
Revenue:				
Program service fees	7,374,662	-	-	7,374,662
Endowment payout	1,820,000	-	-	1,820,000
Income allocations from trusts	806,742	-	-	806,742
Rent and other income	423,288	-	-	423,288
Net assets released from restrictions	832,622	(832,622)	-	-
Total revenue	11,257,314	(832,622)	-	10,424,692
Total public support and revenue	52,838,743	3,050,464	-	55,889,207
Expenses:				
Program	43,175,577	-	-	43,175,577
Management and general	5,303,446	-	-	5,303,446
Fund raising	1,711,953	-	-	1,711,953
In-kind contributions	2,937,145	-	-	2,937,145
Total expenses before depreciation and amortization and net periodic benefit income	53,128,121	-	-	53,128,121
Operating (deficit) surplus	(289,378)	3,050,464	-	2,761,086
Other changes from operating activities:				
Depreciation and amortization	(647,094)	-	-	(647,094)
Net periodic benefit income not included in operating expenses	207,728	-	-	207,728
Change in net assets from operating activities	(728,744)	3,050,464	-	2,321,720
Nonoperating revenue (expenses):				
Net investment (losses) gains	-	(3,879,799)	(1,000,238)	(4,880,037)
Pension related changes other than net periodic pension cost	(4,303,237)	-	-	(4,303,237)
Change in market value of interest rate swap	(1,127,680)	-	-	(1,127,680)
Change in net assets from nonoperating activities	(5,430,917)	(3,879,799)	(1,000,238)	(10,310,954)
(Decrease) increase in net assets	(6,159,661)	(829,335)	(1,000,238)	(7,989,234)
Net assets (deficit):				
Beginning of year	(5,783,280)	39,226,860	21,993,784	55,437,364
End of year	$ (11,942,941)	$ 38,397,525	$ 20,993,546	$ 47,448,130

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total Agency
$ 6,239,502	$ 2,881,304	$ -	$ 9,120,806
1,581,110	41,023	-	1,622,133
30,736,687	-	-	30,736,687
3,184,432	-	-	3,184,432
41,741,731	2,922,327	-	44,664,058
8,285,267	-	-	8,285,267
1,567,000	-	-	1,567,000
629,097	-	-	629,097
403,723	-	-	403,723
454,116	(454,116)	-	-
11,339,203	(454,116)	-	10,885,087
53,080,934	2,468,211	-	55,549,145
42,457,853	-	-	42,457,853
5,253,982	-	-	5,253,982
1,930,753	-	-	1,930,753
3,184,432	-	-	3,184,432
52,827,020	-	-	52,827,020
253,914	2,468,211	-	2,722,125
(621,275)	-	-	(621,275)
903,929	-	-	903,929
536,568	2,468,211	-	3,004,779
-	(1,223,721)	1,155,459	(68,262)
(1,511,891)	-	-	(1,511,891)
(274,040)	-	-	(274,040)
(1,785,931)	(1,223,721)	1,155,459	(1,854,193)
(1,249,363)	1,244,490	1,155,459	1,150,586
(4,533,917)	37,982,370	20,838,325	54,286,778
$ (5,783,280)	$ 39,226,860	$ 21,993,784	$ 55,437,364

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2016

	Programs				
	Education	**Emotional Wellness**	**Economic Stability**	**Empowerment**	**Total Program**
Salaries	$ 11,242,004	$ 8,699,533	$ 3,895,366	$ 1,108,749	$ 24,945,652
Payroll taxes and benefits	2,821,250	2,302,695	1,017,194	299,435	6,440,574
Professional fees	2,193,124	650,001	241,416	171,945	3,256,486
Financial assistance	67,278	210,943	68,355	-	346,576
Occupancy	1,714,366	1,241,390	416,164	173,315	3,545,235
Equipment rental and maintenance	150,497	454,247	43,313	10,640	658,697
Other program expenses	2,259,427	555,924	308,383	12,617	3,136,351
Telephone	306,714	343,756	162,345	33,191	846,006
	20,754,660	14,458,489	6,152,536	1,809,892	43,175,577
Depreciation and amortization allocation	277,204	181,693	84,099	24,002	566,998
Net periodic benefit income not included in operating expenses	(81,014)	(60,241)	(27,005)	(8,309)	(176,569)
	$ 20,950,850	$ 14,579,941	$ 6,209,630	$ 1,825,585	$ 43,566,006

See notes to financial statements.

Support Services: Management and General	Support Services: Fund Raising	Support Services: Total Support Services	In-Kind Contributions	2016 Total Agency
$ 2,993,978	$ 1,075,260	$ 4,069,238	$ -	$ 29,014,890
703,386	282,560	985,946	-	7,426,520
970,980	68,113	1,039,093	2,934,057	7,229,636
1,470	6,316	7,786	525	354,887
312,242	157,971	470,213	-	4,015,448
3,183	3,947	7,130	2,563	668,390
244,230	84,136	328,366	-	3,464,717
73,977	33,650	107,627	-	953,633
5,303,446	1,711,953	7,015,399	2,937,145	53,128,121
62,526	17,570	80,096	-	647,094
(22,850)	(8,309)	(31,159)	-	(207,728)
$ 5,343,122	$ 1,721,214	$ 7,064,336	$ 2,937,145	$ 53,567,487

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2015

	Programs				
	Education	Emotional Wellness	Economic Stability	Empowerment	Total Program
Salaries	$ 10,563,421	$ 8,807,644	$ 3,962,205	$ 1,142,216	$ 24,475,486
Payroll taxes and benefits	2,756,516	2,392,725	1,086,887	316,470	6,552,598
Professional fees	2,011,153	435,856	282,843	117,350	2,847,202
Financial assistance	21,470	242,258	51,197	-	314,925
Occupancy	1,654,319	1,256,420	449,997	168,802	3,529,538
Equipment rental and maintenance	90,671	374,956	23,757	2,208	491,592
Other program expenses	2,148,748	596,775	425,531	123,832	3,294,886
Telephone	318,044	377,412	219,845	36,325	951,626
	19,564,342	14,484,046	6,502,262	1,907,203	42,457,853
Depreciation and amortization allocation	252,629	180,838	84,579	24,277	542,323
Net periodic benefit income not included in operating expenses	(352,532)	(262,140)	(117,511)	(36,157)	(768,340)
	$ 19,464,439	$ 14,402,744	$ 6,469,330	$ 1,895,323	$ 42,231,836

See notes to financial statements.

Support Services				
Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2015 Total Agency
$ 2,854,794	$ 1,008,622	$ 3,863,416	$ -	$ 28,338,902
703,418	269,624	973,042	-	7,525,640
933,077	315,423	1,248,500	3,179,432	7,275,134
1,110	18,349	19,459	-	334,384
303,999	146,489	450,488	-	3,980,026
17,309	17,915	35,224	5,000	531,816
359,936	120,549	480,485	-	3,775,371
80,339	33,782	114,121	-	1,065,747
5,253,982	1,930,753	7,184,735	3,184,432	52,827,020
60,900	18,052	78,952	-	621,275
(99,432)	(36,157)	(135,589)	-	(903,929)
$ 5,215,450	$ 1,912,648	$ 7,128,098	$ 3,184,432	$ 52,544,366

Metropolitan Family Services

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (7,989,234)**	$ 1,150,586
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in market value of interest rate swap	**1,127,680**	274,040
Change in market value beneficial interest in perpetual trusts	**1,000,238**	(1,155,459)
Depreciation and amortization	**647,094**	621,275
Net realized gain on investments	**(314,376)**	(549,379)
Net unrealized loss on investments	**4,816,190**	2,415,848
Changes in operating assets and liabilities:		
Receivables	**(3,166,291)**	(2,537,938)
Prepaid expenses	**(241,315)**	36,459
Accounts payable, accrued expenses, and other	**3,667,917**	1,006,648
Deferred revenue	**(201,441)**	(444,936)
Funds held in custody for others	**(7,141)**	(982)
Net cash (used in) provided by operating activities	**(660,679)**	816,162
Cash flows from investing activities:		
Proceeds from the sale of investments	**2,138,700**	2,376,015
Purchases of investments	**(2,760,715)**	(2,792,763)
Additions to property and equipment, net	**(1,694,337)**	(194,307)
Net cash used in investing activities	**(2,316,352)**	(611,055)
Cash flows from financing activities:		
Net proceeds from (repayments of) line of credit	**3,025,000**	(250,000)
Payments on notes payable	**(57,278)**	(56,923)
Net cash provided by (used in) financing activities	**2,967,722**	(306,923)
Decrease in cash	**(9,309)**	(101,816)
Cash at beginning of year	**128,448**	230,264
Cash at end of year	**$ 119,139**	$ 128,448
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 774,000**	$ 694,227

See notes to financial statements.

Note 1. Nature of Activities

Metropolitan Family Services (the Agency), a not-for-profit Illinois corporation, is a nonsectarian human services agency located in metropolitan Chicago, Illinois. The Agency was organized to provide a wide range of programs and services to strengthen low and moderate-income individuals, families, and communities. The Agency is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Agency's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to nonprofit organizations.

Accounting standards: The Agency follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the FASB *Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The majority of funding for the Agency's operations is provided by governmental agencies. The Agency recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized when the related grant expenditure has been incurred.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value of financial instruments: The carrying amount of financial instruments including accounts receivable, accounts payable, notes payable, accrued expenses and short-term borrowings, approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Agency for debt with similar terms and maturities.

Cash: It is usual and customary for the Agency to have cash on deposit in multiple financial institutions exceeding the federally insured limits. Management does not believe there is a risk of loss associated with these accounts. The carrying amount reported for cash approximates fair value.

Investments: At June 30, 2016 and 2015, all investments, including the invested assets of the irrevocable perpetual trusts, are carried at fair value. Realized gains and losses are determined based on the average cost method. Changes in fair value are recorded as unrealized gains (losses).

Receivables: The Agency has outstanding receivables from various government grants and from fund raising pledges. Management recorded an allowance for doubtful accounts totaling $235,622 and $147,635 at June 30, 2016 and 2015, respectively, based on specific identification of uncollectible accounts and historical collection experience.

Note 2. Summary of Significant Accounting Policies (Continued)

Beneficial interest in irrevocable perpetual trusts: The Agency is an income beneficiary of certain irrevocable perpetual trusts established by donors and administered by certain third-party agencies. Income allocations from such trusts have no restriction on their use and are recognized as revenue when received from the third-party agencies. The Agency's beneficial interest in the assets of irrevocable perpetual trusts is carried at fair value in its statement of financial position based on the fair value of the underlying trust assets.

Amortization of bond issuance costs: Bond issuance costs are those costs associated with the issuance of the Agency's debt. These costs are amortized using the straight-line method over the life of the bonds (29 years) and a refinancing arrangement (7 years). For the years ended June 30, 2016 and 2015, the accumulated amortization of bond issuance costs was $194,976 and $174,940, respectively. Amortization expense was $20,036 for the years ended June 30, 2016 and 2015, respectively.

Property and equipment: Property and equipment are carried at cost, except donated assets which are recorded at fair value at date of donation. All purchases in excess of $5,000 are capitalized, while lesser amounts are charged to expense. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or terms of the related leases (40 years for buildings, 5 years for furniture and equipment, and 2-7 years for leasehold improvements).

Deferred revenue: The Agency recognizes grants as revenue when related expenses are incurred. Amounts received in advance are recorded as deferred revenue.

Derivative financial instruments: The Agency has an interest rate swap agreement with the objective of minimizing the variability of cash flows. This derivative financial instrument is recognized as either an asset or liability at fair value in the statement of financial position (interest rate swap) with the changes in the fair value reported on the statement of activities (change in market value of interest rate swap). For the years ended June 30, 2016 and 2015, the Agency recognized a loss of $1,127,680 and $274,040, respectively, for changes in the fair value of the instrument.

Unrestricted net assets: Unrestricted net assets are resources whose use has no limitations imposed by outside donors.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by the Agency or the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose for which the contributions were restricted is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Agency reports the support as unrestricted. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in unrestricted net assets.

Permanently restricted net assets: Net assets for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is the Agency's interest in perpetual trusts.

Contributions: Unconditional promises of others to give cash and other assets to the Agency are recorded at fair value at the date the promise is made and reported as increases in either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the contributions.

Note 2. Summary of Significant Accounting Policies (Continued)

In-kind contributions: The Agency received contributions of goods and services from outside corporations, including advertising, consulting services, and various goods, in the amount of $2,937,145 and $3,184,432 during the years ended June 30, 2016 and 2015, respectively. These amounts are recorded as revenues and expenses in the financial statements.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

The Agency files Form 990 in the U.S. federal jurisdiction and the State of Illinois. The Agency is generally no longer subject to examination by the Internal Revenue Service for tax years before 2013.

Recent accounting pronouncements: In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent*). The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this update are effective for the Agency’s June 30, 2018 financial statements. Early adoption is permitted.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Agency’s June 30, 2019 financial statements. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for the Agency’s June 30, 2020 financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Agency's June 30, 2021 financial statements.

The Agency is currently evaluating the impact of the adoption of the above standards on its financial statements.

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosure through October 31, 2016, the date the financial statements were available to be issued.

Note 3. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various methods including market, income and cost approaches and sets out a fair value hierarchy. Based on these approaches, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Topic are described below:

> Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
>
> Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
>
> Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and funds of hedge funds.

Note 3. Fair Value Disclosures (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For the fiscal years ended June 30, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2016 and 2015, requiring fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities
The fair value of publicly traded equity and fixed income securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in certain hedge funds and real estate funds are valued at fair value based on the applicable percentage ownership of the underlying companies' net assets as of the measurement date, as determined by the fund manager. In determining fair value, the fund manager utilizes valuations provided by the underlying investment companies. The underlying investment companies value securities and other financial instruments on a fair value basis of accounting. The fair value of the Agency's investments in private investment companies generally represents the amount the Agency would expect to receive if it were to liquidate its investment in the companies excluding any redemption charges that may apply. These financial instruments are classified as Level 2 in the fair value hierarchy.

Beneficial Interest in Perpetual Trusts
The fair value of the Agency's beneficial interest in perpetual trusts were provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

Interest Rate Swap
The valuation of this instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and used observable market-based inputs, including the SIFMA index. The fair value estimate is classified as Level 2.

Note 3. Fair Value Disclosures (Continued)

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 10,052,534	$ 10,052,534	$ -	$ -
Non-U.S. equities	9,570,742	9,570,742	-	-
Fixed income securities:				
U.S. fixed income	4,960,109	4,960,109	-	-
Non-U.S. fixed income	2,452,361	2,452,361	-	-
Alternative investments:				
Hedge fund of funds (a)	6,892,728	-	6,892,728	-
Real estate fund (b)	872,519	-	872,519	-
Beneficial interest in perpetual trusts (c)	15,427,055	-	-	15,427,055
	50,228,048	$ 27,035,746	$ 7,765,247	$ 15,427,055
Cash and other	3,174,074			
	$ 53,402,122			
Liability:				
Interest-rate swap	$ 4,848,763	$ -	$ 4,848,763	$ -

	2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 10,544,315	$ 10,544,315	$ -	$ -
Non-U.S. equities	10,470,888	10,470,888	-	-
Fixed income securities:				
U.S. fixed income	4,131,590	4,131,590	-	-
Non-U.S. fixed income	2,282,722	2,282,722	-	-
Alternative investments:				
Hedge fund of funds (a)	7,411,514	-	7,411,514	-
Real estate fund (b)	3,001,077	-	3,001,077	-
Beneficial interest in perpetual trusts (c)	16,427,293	-	-	16,427,293
	54,269,399	$ 27,429,515	$ 10,412,591	$ 16,427,293
Cash and other	4,012,760			
	$ 58,282,159			
Liability:				
Interest-rate swap	$ 3,721,083	$ -	$ 3,721,083	$ -

Note 3. Fair Value Disclosures (Continued)

The following table provides a summary of market alternatives at June 30, 2016 and 2015 by net asset class whose fair value is calculated using net asset value per share, or its equivalent:

Description	2016 Fair Value	2015 Fair Value	June 30, 2016 Unfunded Commitments	June 30, 2016 Redemption Frequency
Hedge fund of funds (a)	$ 6,892,728	$ 7,411,514	$ -	Quarterly
Real estate fund (b)	872,519	3,001,077	-	Quarterly
	$ 7,765,247	$ 10,412,591	$ -	

(a) This category includes investments in hedge funds that invest primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments to meet growth strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Agency's ownership interest.

(c) This category includes underlying investments in equities, fixed income securities, real estate funds, and hedge funds. The fair value of these investments is based on quoted market prices provided by recognized broker-dealers.

The Agency assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Agency's accounting policy regarding the recognition of transfers between levels of the fair vale hierarchy. There were no transfers between Levels 1, 2, or 3 during the years ended June 30, 2016 and 2015.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows as of June 30, 2016:

	2016 Beneficial Interest in Perpetual Fund	2015 Beneficial Interest in Perpetual Fund
Balance, beginning of year	$ 16,427,293	$ 15,271,834
Net unrealized (loss) gain	(1,000,238)	1,155,459
Balance, end of year	$ 15,427,055	$ 16,427,293

Substantially all of the changes in unrealized appreciation included in the statements of activities attributable to Level 3 investments relate to investments still held at June 30, 2016.

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts

Total returns on investment assets, excluding income allocations from irrevocable perpetual trusts, held during 2016 and 2015 are summarized as follows:

2016	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ 2,684,162	$ -	$ 2,684,162
Investment expense	(242,147)	-	(242,147)
Net realized gain	314,376	-	314,376
Net unrealized loss	(4,816,190)	(1,000,238)	(5,816,428)
Total loss on investments	$ (2,059,799)	$ (1,000,238)	$ (3,060,037)
Investment loss designated for:			
Endowment payout	$ 1,820,000	$ -	$ 1,820,000
Undesignated investment return	(3,879,799)	(1,000,238)	(4,880,037)
Total	$ (2,059,799)	$ (1,000,238)	$ (3,060,037)

2015	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ 2,489,828	$ -	$ 2,489,828
Investment expense	(280,080)	-	(280,080)
Net realized gain	549,379	-	549,379
Net unrealized (loss) gain	(2,415,848)	1,155,459	(1,260,389)
Total return on investments	$ 343,279	$ 1,155,459	$ 1,498,738
Investment return designated for:			
Endowment payout	$ 1,567,000	$ -	$ 1,567,000
Undesignated investment (loss) return	(1,223,721)	1,155,459	(68,262)
Total	$ 343,279	$ 1,155,459	$ 1,498,738

The Agency invests in a professionally managed portfolio of mutual funds and alternative investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Agency is also a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that the Agency, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions.

At June 30, 2016 and 2015, the assets of the irrevocable trusts are principally invested in marketable equity securities and bonds and notes. During 2016 and 2015, income allocations received by the Agency from irrevocable perpetual trusts amounted to $806,742 and $629,097, respectively, and the Agency's beneficial interest in the net unrealized (depreciation) and appreciation in the fair value of the irrevocable trusts' assets amounted to ($1,000,238) and $1,155,459, respectively.

Note 5. Endowment Funds

The Agency's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Agency and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Agency; and
7) The investment policies of the Agency.

The Agency's endowment net asset composition by type of fund is as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Temporarily Restricted	$ 32,408,576	$ 36,288,375
Permanently Restricted	20,993,546	21,993,784
	$ 53,402,122	$ 58,282,159

Note 5. Endowment Funds (Continued)

The changes in endowment net assets for the Agency were as follows for the years ended June 30, 2016 and 2015:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year			
Investments	$ 36,288,375	$ 5,566,491	$ 41,854,866
Perpetual trusts	-	16,427,293	16,427,293
	36,288,375	21,993,784	58,282,159
Investment return:			
Dividends and interest income	2,684,162	-	2,684,162
Investment expense	(242,147)	-	(242,147)
Net realized and unrealized losses	(4,501,814)	(1,000,238)	(5,502,052)
	(2,059,799)	(1,000,238)	(3,060,037)
Appropriation of endowment assets for expenditure:			
Operating expense	(1,820,000)	-	(1,820,000)
Undesignated investment return (loss)	(3,879,799)	(1,000,238)	(4,880,037)
Endowment net assets, end of year			
Investments	32,408,576	5,566,491	37,975,067
Perpetual trusts	-	15,427,055	15,427,055
	$ 32,408,576	$ 20,993,546	$ 53,402,122

Note 5. Endowment Funds (Continued)

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year			
Investments	$ 37,512,096	$ 5,566,491	$ 43,078,587
Perpetual trusts	-	15,271,834	15,271,834
	37,512,096	20,838,325	58,350,421
Investment return:			
Dividends and interest income	2,489,828	-	2,489,828
Investment expense	(280,080)	-	(280,080)
Net realized and unrealized gains (losses)	(1,866,469)	1,155,459	(711,010)
	343,279	1,155,459	1,498,738
Appropriation of endowment assets for expenditure:			
Operating expense	(1,567,000)	-	(1,567,000)
Undesignated investment return	(1,223,721)	1,155,459	(68,262)
Endowment net assets, end of year			
Investments	36,288,375	5,566,491	41,854,866
Perpetual trusts	-	16,427,293	16,427,293
	$ 36,288,375	$ 21,993,784	$ 58,282,159

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016 and 2015.

The Agency has adopted investment and spending policies for endowment assets as follows:

Investment Policy
The investment policy of the MFS Endowment is to achieve the highest rate of return possible within an acceptable range of risk and volatility. Based on that objective, the current assumptions are that long-term returns net of expenses will average 7 percent and long-term inflation will average 3 percent.

The MFS Investment Committee has the responsibility to establish the policies that guide the specific investments of the endowment assets. The policies describe the degree of investment risk and diversification that the committee deems appropriate.

The committee, in consultation with its investment consultant, monitors the performance of investment managers and adds, replaces, or eliminates managers as needed. Please refer to Note 3 for the Agency's current asset allocation.

Note 5. Endowment Funds (Continued)

Spending Policy
Endowment spending is set annually by the Agency's Board of Directors after considering the funding needs of current Agency operations and the desire to preserve the long-term purchasing power of the Endowment. Distributions are authorized by the Board based on recommendations of the Investment and Finance Committees.

Note 6. Fund Raising Pledges Receivable

Pledges receivable are anticipated to be collected as follows at June 30, 2016 and 2015:

	2016	2015
Less than 1 year	$ 1,508,860	$ 1,346,565
1 to 5 years	3,929,533	2,000,000
	5,438,393	3,346,565
Less present value discount	(139,204)	-
	$ 5,299,189	$ 3,346,565

Pledges are discounted at 0.5 percent above the 5-year treasury rate, totaling 1.51 percent at June 30, 2016.

Note 7. Property and Equipment

Property and equipment are as follows at June 30, 2016 and 2015.

	2016	2015
Land	$ 2,791,623	$ 2,791,623
Buildings and improvements	22,511,535	20,829,504
Leasehold improvements	1,706,686	1,706,686
Furniture and equipment	8,431,927	8,419,621
	35,441,771	33,747,434
Less: accumulated depreciation	17,842,979	17,215,921
	$ 17,598,792	$ 16,531,513

Depreciation expense totaled $627,058 and $601,239 for 2016 and 2015, respectively.

Note 8. Short-Term Debt

The Agency has two available revolving credit lines in the amount of $9,000,000, for operating working capital which expires September 21, 2016; and in the amount of $2,000,000 for capital campaign projects which expires September 22, 2018. Interest is accrued monthly on both facilities at either the prime rate or the LIBOR rate plus 115 basis points. The weighted average interest rate for fiscal years 2016 and 2015 was 1.94 percent and 1.59 percent, respectively. The covenants of the revolving credit lines are substantially the same as those of the Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Note 9). The total balance outstanding on the lines of credit was $6,975,000 at June 30, 2016 and $3,950,000 at June 30, 2015.

Note 8. Short-Term Debt (Continued)

The line of credit for working capital has been renewed for $6,500,000 subsequent to year end. It expires September 16, 2017. The Agency has also secured working capital in the amount of $2,500,000 under a long-term unsecured investment bond. This facility was put in place on September 16, 2016. It has a five-year term and interest is charged at a rate of one tenth of one percent per annum.

Note 9. Long-Term Debt

Long-term debt is summarized as follows at June 30, 2016 and 2015:

	2016	2015
Notes payable:		
Term loan due September 12, 2019	$ 157,500	$ 207,500
Purchase money note and bank financing, due November 30, 2016	800,000	800,000
Promissory note due March 1, 2020	30,769	38,047
	$ 988,269	$ 1,045,547
Bonds payable:		
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds, Series 1999, maturing in the aggregate principal amount on January 1, 2029. The bonds are supported by a letter of credit agreement which expires September 16, 2017	$ 12,700,000	$ 12,700,000

Term Loan
In 2010, the Agency renegotiated an additional term loan for the North Children's Center due September 12, 2019. Interest is accrued at either the prime rate, the LIBOR rate plus 125 basis points, or the Bank Offered rate. At June 30, 2016, the loan had an interest rate of 1.78 percent and is payable in equal quarterly installments of principal ($12,500) plus interest.

Purchase Money Note and Bank Financing
During 1992, the Agency acquired by means of assignment, a 100 percent beneficial interest in a certain land trust representing certain property previously leased by the Agency from the seller in exchange for a limited guaranty. The Agency renewed this agreement in December 2006. Under this agreement, the Agency is required to make scheduled monthly interest payments which are $6,667 for the period from December 1, 2006 through November 30, 2016.

In connection with the guaranty and pursuant to the terms of the purchase agreement, the Agency has agreed to reimburse and indemnify the seller and provide for timely monthly debt service in connection with the existing $400,000 bank financing and certain other costs associated with the property and to deliver to the seller a $400,000 purchase money note due November 30, 2016. The bank financing and purchase money note are secured by a first and second mortgage and collateral assignment of the beneficial interest, respectively.

Prior to November 30, 2016, the seller may exercise its option to repurchase the property for an amount based on the related option agreement, resulting principally in the release of the Agency from substantially all liability under the bank financing and purchase money note. If the seller's repurchase option is not exercised prior to November 30, 2016, the Agency may exercise its option to cause the seller to repurchase the property for the amount based on the related option agreement. Subsequent to year-end, the Agency extended the option through November 30, 2018.

Note 9. Long-Term Debt (Continued)

Illinois Development Finance Authority Variable Rate Demand Revenue Bonds
In March 1999, the Illinois Development Finance Authority (Authority) on behalf of the Agency issued its Variable Rate Demand Revenue Bonds, Series 1999, in the principal amount of $12,700,000 pursuant to an Indenture of Trust dated as of March 1, 1999, between the Authority and the Trustee. The proceeds of the Series 1999 bonds were used to finance all or a portion of the cost of acquisition, construction, renovation, expansion, restoration, and equipping of certain facilities of the Agency and to reimburse the Agency for certain capital projects, provide a portion of the interest on the bonds, and pay certain expenses incurred in connection with the Issuance of the bonds. All other proceeds will be invested by the Trustee as provided in the Indenture.

The Series 1999 Bonds bear interest at a variable interest rate determined on a monthly basis. Interest rates ranged from 1.129 to 1.308 percent during 2016 and 1.106 to 1.127 percent during 2015 and was determined on a monthly basis. The Series 1999 Bonds are convertible at the option of the Agency to another variable rate mechanism, as provided in the Indenture of Trust, dated March 1, 1999.

The terms of the long-term debt agreement require, among other things, the maintenance of specific financial ratios and place limitations on additional indebtedness and pledging of assets.

On June 1, 2012, the Agency entered into a re-financing arrangement with a bank in which the bank became the sole holder of the bonds for a period of seven years. This arrangement eliminated the need for a letter of credit and required issuance costs in the amount of $79,500. The bank will maintain this position until June 1, 2019, during which time the bond issuance costs will be amortized. All of the terms, conditions, and covenants previously in effect remain unchanged.

The Agency has an interest rate swap agreement (swap agreement) with a bank for a non-amortizing notional amount of $12,700,000 with an objective to minimize the variability of cash flows. Under the terms of the swap agreement, the Agency receives monthly payments based upon a variable rate of interest and makes monthly payments based upon a fixed rate of 3.94 percent through November 1, 2015 and 4.295 percent thereafter through January 1, 2029. The variable rate of interest is based on the USD-LIBOR-BBA (0.47 percent and 0.19 percent at June 30, 2016 and 2015, respectively). Although the derivative is an interest rate hedge, the Agency has chosen not to account for the derivatives as “cash-flow” hedge instruments, as defined by accounting principles generally accepted in the United States of America, and therefore the gain or loss on the derivative is recognized in the statement of activities as a component of non-operating revenue (expense) in the period of change.

Net interest paid or received under the swap agreement is included in interest expense. The net differential paid by the Agency as a result of the swap agreement amounted to $501,706 and $485,490 for the years ended June 30, 2016 and 2015, respectively. The change in fair value of the swap agreement was an unrealized loss of $1,127,680 and $274,040 in 2016 and 2015, respectively.

At June 30, 2016 and 2015, the Agency’s total long-term debt outstanding was $13,688,269 and $13,745,547, respectively. The fair value of the interest rate swap agreement was $4,848,763 and $3,721,083 at June 30, 2016 and 2015, respectively.

Note 9. Long-Term Debt (Continued)

Promissory Note
In 2003, the Agency borrowed $95,000 from the IFF as part of the financing arranged by the City of Chicago for a new childcare center. The loan is in the form of a promissory note which bears interest at 5 percent and is payable in monthly installments in amounts up to $749, through March 1, 2020.

Interest expense is reported within the financial statements as follows:

	2016	2015
Operating:		
Other program expenses	$ 774,000	$ 694,227
Nonoperating:		
Change in fair value of interest rate swap	1,127,680	274,040
	$ 1,901,680	$ 968,267

Subsequent to year-end, the Agency secured a $2,500,000 bond with an interest rate of 0.10 percent, compounded annually. The bond is payable in full on September 26, 2021.

Note 10. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Endowment	$ 32,408,576	$ 36,288,375
Community services	5,936,081	2,936,473
Financial assistance	52,868	2,012
	$ 38,397,525	$ 39,226,860

Permanently restricted net assets are restricted as follows at June 30, 2016 and 2015:

	2016	2015
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Agency	$ 15,427,055	$ 16,427,293
Agency endowment invested in perpetuity by the Agency, the income from which is expendable to support any of the activities of the Agency	5,391,475	5,391,475
Agency endowment invested in perpetuity by the Agency, the income from which is expendable to support specific programs as restricted by the donor	175,016	175,016
	$ 20,993,546	$ 21,993,784

Note 11. Pension Plan

The Agency operates a trusted, noncontributory, defined-benefit pension plan (Plan). On December 31, 2012, the Agency implemented a full plan freeze for all employees.

The Projected Benefit Obligation is the actuarial present value of benefits under the plan formula, based on employee service to date and expected future compensation levels.

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the defined-benefit pension plan are as follows at June 30, 2016 and 2015:

	2016	2015
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 24,904,907	$ 23,999,397
Interest cost	989,716	918,289
Actuarial losses	3,402,187	808,044
Benefits paid	(1,002,607)	(820,823)
Projected benefit obligation at year-end	$ 28,294,203	$ 24,904,907
Accumulated benefit obligation	$ 28,294,203	$ 24,904,907
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 19,587,663	$ 19,290,115
Actual return on plan assets	296,394	521,147
Contributions	280,229	597,224
Benefits paid	(1,002,607)	(820,823)
Fair value of plan assets at year-end	$ 19,161,679	$ 19,587,663
Fair value of plan assets	$ 19,161,679	$ 19,587,663
Benefit obligations	28,294,203	24,904,907
Funded status (plan assets less benefit obligations)	$ (9,132,524)	$ (5,317,244)
Amounts recognized on statement of financial position as accrued pension expense liability	$ 9,132,524	$ 5,317,244

Note 11. Pension Plan (Continued)

The Accumulated Benefit Obligation is the actuarial present value of benefits earned to date, based on current and past compensation levels.

	2016	2015
Cumulative amounts recognized in changes from non-operating activities:		
Beginning cumulative amount	$ 4,883,225	$ 3,371,334
Current year amount recognized in changes from non-operating activities	4,303,237	1,511,891
	$ 9,186,462	$ 4,883,225
Components of cumulative amounts recognized in changes from non-operating activities:		
Unrecognized actuarial loss	$ 9,186,462	$ 4,883,225
Components of net periodic benefit cost:		
Interest cost	$ 989,716	$ 918,289
Expected return on plan assets	(1,274,480)	(1,257,745)
Net amortization and deferrals	77,036	32,751
	$ (207,728)	$ (306,705)

The net periodic benefit cost is presented on the statements of functional expenses as follows:

	2016	2015
Net periodic benefit cost in excess of contributions	$ (207,728)	$ (903,929)
Contributions, included in "payroll taxes and benefits"	-	597,224
	$ (207,728)	$ (306,705)

The net pension cost was calculated using the June 30, 2015 census data, asset information as of June 30, 2015, and a measurement date of June 30, 2015.

Estimated service cost that will be amortized into periodic benefit cost in the next fiscal year at both June 30, 2016 and 2015 is $0.

Note 11. Pension Plan (Continued)

Assumptions

Pension costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year-end. A summary of the major assumptions follows:

	2016	2015
Funded status:		
Discount rate	3.35%	4.15%
Future salary increases	N/A	N/A
Pension cost:		
Discount rate	4.15%	4.01%
Return on assets in plans	6.70%	6.70%
Future salary increases	0.00%	0.00%

Plan Assets

The Agency invests the defined benefit plan assets in a professionally managed portfolio of equity and debt securities. The Agency's target asset allocation is approximately 30 percent fixed income and 70 percent equity securities. Each year this asset allocation strategy is reviewed to determine the percentage of the fund that is allocated to equity and debt securities. The expected rate of return is based on both historical returns as well as the outlook for future returns given the current economic conditions.

The fair values of the Agency's pension plan assets at June 30, 2016 and 2015, by asset category are as follows:

	2016	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 8,147,102	$ 8,147,102	$ -	$ -
Non-U.S. equities	3,146,365	3,146,365	-	-
Global equities	560,284	560,284	-	-
Fixed income securities:				
U.S. fixed income securities	6,496,026	6,496,026	-	-
Non-U.S. fixed income securities	811,902	811,902	-	-
	19,161,679	$ 19,161,679	$ -	$ -
Cash and other	-			
	$ 19,161,679			

Note 11. Pension Plan (Continued)

	2015	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 8,412,311	$ 8,412,311	$ -	$ -
Non-U.S. equities	3,563,609	3,563,609	-	-
Global equities	456,768	456,768	-	-
Fixed income securities:				
U.S. fixed income securities	6,343,073	6,343,073	-	-
Non-U.S. fixed income securities	811,902	811,902	-	-
	19,587,663	$ 19,587,663	$ -	$ -
Cash and other	-			
	$ 19,587,663			

The asset allocation for the Agency's pension plan by asset category is as follows:

	2016	2015
Equity securities	62 %	63 %
Debt securities	38	37
	100 %	100 %

Contributions
The Agency does not expect to contribute to the pension plan during the year ending June 30, 2017.

Estimated Future Benefit Payments
Estimated future benefit payments are as follows:

Year ending June 30:	
2017	$ 2,189,362
2018	1,432,393
2019	1,495,455
2020	1,402,858
2021	1,541,115
2022-2026	7,265,369

Note 12. Operating Leases

The Agency occupies office space used in its activities under operating leases expiring through March 2021. In 2016 and 2015, total rental expense recognized under all operating leases amounted to approximately $1,211,274 and $1,191,185, respectively. Future minimum annual lease commitments under non-cancelable operating leases at June 30, 2016 are as follows:

Year ending June 30:	
2017	$ 1,001,856
2018	751,857
2019	759,598
2020	767,349
2021	775,100
	$ 4,055,760

Note 13. Fiduciary Arrangements

Included in cash and in funds held in custody for others at June 30, 2016 and 2015, are $17,244 and $24,385, respectively, of funds held by the Agency on behalf of certain clients to cover their third-party obligations.

Note 14. Supporting Agencies

The Agency received approximately $30,666,000 and $30,737,000 of its support and revenue from federal and state granting agencies during 2016 and 2015, respectively. A significant reduction in this level of support, if it were to occur, could have a significant effect on the Agency’s programs and activities. A portion of this support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

As of the date of this report, the State of Illinois had not passed a budget for its fiscal year 2017. As such, the Agency is uncertain of the amount of funding that will be available for services funded by the state for the year beginning July 1, 2016. The Agency is using fiscal year 2016 contracts as a proxy for funding levels in fiscal year 2017. When a budget is passed and contracts are finalized, the Agency will adjust expense levels accordingly. Subsequent to year-end all of the amounts due under contracts with the State of Illinois for fiscal year 2016 services were paid in full.

Note 15. Contingencies

From time to time, the Agency is subject to claims that arise in the ordinary course of conducting its activities. In management’s opinion, the resolution of these matters would not have a material effect on the financial position of the Agency.