

McGladrey & Pullen

Certified Public Accountants

Lawrence Hall Youth Services

Financial Report

June 30, 2008 and 2007

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Board of Trustees of
Lawrence Hall Youth Services

We have audited the statements of financial position of Lawrence Hall Youth Services (the "Agency") as of June 30, 2008 and 2007 and the statements of activities, functional expenses and cash flows for the years then ended. The financial statements are the responsibility of the Agency's management. 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 audit 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 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 Lawrence Hall Youth Services as of June 30, 2008 and 2007 and its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is included for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Chicago, Illinois
January 5, 2009

Lawrence Hall Youth Services

Statements of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 5,141,774	\$ 3,554,276
Accounts receivable	1,012,971	1,117,097
Pledges receivable	695,894	931,850
Prepaid expenses and other assets	379,352	517,360
Funds held for construction	505,335	11,079,590
Unrestricted investments	4,035,091	5,514,901
Permanently restricted investments	2,909,714	3,106,306
Beneficial interest in irrevocable trusts	11,252,238	12,409,709
Property and equipment, net	24,009,690	14,148,284
Prepaid pension cost	1,443,106	664,973
	<u>\$ 51,385,165</u>	<u>\$ 53,044,346</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 340,067	\$ 334,778
Construction costs payable	591,359	1,403,588
Accrued expenses	555,107	485,952
Accrued payroll and payroll taxes	301,936	401,422
Deferred revenue/contractual obligations		129,581
Other liabilities	289,456	
Bonds payable	15,000,000	15,000,000
	<u>17,077,925</u>	<u>17,755,321</u>
Net assets		
Unrestricted	19,189,110	16,964,555
Temporarily restricted	949,918	2,803,863
Permanently restricted	14,168,212	15,520,607
	<u>34,307,240</u>	<u>35,289,025</u>
	<u>\$ 51,385,165</u>	<u>\$ 53,044,346</u>

Lawrence Hall Youth Services

**Statements of Activities
Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008
Revenue				
Fees and grants from government agencies	\$ 18,617,448	\$ -	\$ -	\$ 18,617,448
Contributions and grants	857,684	1,145,765		2,003,449
United Way of Metropolitan Chicago	508,227	37,500		545,727
Allocations from Episcopal Charities	79,000			79,000
Special events net of \$22,719 of expenses	20,747			20,747
Contributions from associated organizations		1,100		1,100
Allocation from unassociated and nonfederated fundraising organizations	300	44,285		44,585
Investment income	447,859	1,199		449,058
Investment income - funds held for construction	167,049			167,049
Earnings from beneficial interest in irrevocable trusts	513,642			513,642
Losses on sales of investments	(29,581)		(106,560)	(136,141)
Unrealized loss on investments	(73,585)		(88,364)	(161,949)
Decrease in value of beneficial interest in irrevocable trusts			(1,157,471)	(1,157,471)
Unrealized loss on swap agreement	(289,456)			(289,456)
Other	156,127			156,127
Net assets released from restrictions	3,083,794	(3,083,794)		-
	<u>24,059,255</u>	<u>(1,853,945)</u>	<u>(1,352,395)</u>	<u>20,852,915</u>
Expenses				
Program services				
Residential programs				
Institutional Group Care	3,019,095			3,019,095
Regular Group Care	3,541,536			3,541,536
Group Shelter Care	1,787,052			1,787,052
Special Education School	2,768,631			2,768,631
Independent Living	1,096,938			1,096,938
Transitional Living	3,309,861			3,309,861
Relative/Traditional Foster Care	1,081,886			1,081,886
Specialized Mental Health Foster Care	728,589			728,589
Project SKIL	288,177			288,177
Balanced and Restorative Justice	35,648			35,648
Specialty populations	75,243			75,243
Scholarships	37,045			37,045
	<u>17,769,701</u>	<u>-</u>	<u>-</u>	<u>17,769,701</u>

Lawrence Hall Youth Services

Statements of Activities, Continued
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008
<i>Expenses, Continued</i>				
Supporting services				
Management and general	\$ 2,942,051	\$ -	\$ -	\$ 2,942,051
Fundraising	733,891			733,891
	<u>3,675,942</u>	<u>-</u>	<u>-</u>	<u>3,675,942</u>
 Total functional expenses	 <u>21,445,643</u>	 <u>-</u>	 <u>-</u>	 <u>21,445,643</u>
 Financing and project activities				
Bond interest	402,817			402,817
Financing costs	58,318			58,318
Temporary off-site occupancy	224,893			224,893
Start-up supplies	59,282			59,282
Other expenses	11,568			11,568
	<u>756,878</u>	<u>-</u>	<u>-</u>	<u>756,878</u>
 Other	 <u>259,312</u>	 <u>-</u>	 <u>-</u>	 <u>259,312</u>
	<u>22,461,833</u>	<u>-</u>	<u>-</u>	<u>22,461,833</u>
 Increase (decrease) in net assets before pension asset adjustment	 1,597,422	(1,853,945)	(1,352,395)	(1,608,918)
Pension-related changes other than net periodic pension costs	<u>627,133</u>			<u>627,133</u>
Increase (decrease) in net assets	2,224,555	(1,853,945)	(1,352,395)	(981,785)
 Net assets				
Beginning of year	<u>16,964,555</u>	<u>2,803,863</u>	<u>15,520,607</u>	<u>35,289,025</u>
End of year	<u>\$ 19,189,110</u>	<u>\$ 949,918</u>	<u>\$ 14,168,212</u>	<u>\$ 34,307,240</u>

Lawrence Hall Youth Services

**Statements of Activities
Year Ended June 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007
Revenue				
Fees and grants from government agencies	\$ 18,973,318	\$ 3,379,525	\$ -	\$ 22,352,843
Contributions and grants	593,364	652,293		1,245,657
United Way of Metropolitan Chicago	499,767			499,767
Allocations from Episcopal Charities	75,500			75,500
Special events net of \$23,049 of expenses	28,165			28,165
Allocation from unassociated and nonfederated fundraising organizations		51,450		51,450
Investment income	437,786	1,024		438,810
Investment income - funds held for construction	353,916			353,916
Earnings from beneficial interest in irrevocable trusts	486,864			486,864
Gains on sales of investments	90,354		83,831	174,185
Unrealized gain on investments	233,038		229,706	462,744
Increase in value of beneficial interest in irrevocable trusts			784,500	784,500
Net adjustments to allowance for uncollectible accounts	(1,667)			(1,667)
Other	131,291			131,291
Net assets released from restrictions	4,696,852	(4,696,852)		-
	<u>26,598,548</u>	<u>(612,560)</u>	<u>1,098,037</u>	<u>27,084,025</u>
Expenses				
Program services				
Residential programs				
Institutional Group Care	2,849,692			2,849,692
Regular Group Care	3,439,351			3,439,351
Group Shelter Care	1,710,933			1,710,933
Special Education School	2,761,526			2,761,526
Independent Living	1,019,112			1,019,112
Transitional Living	3,290,758			3,290,758
Relative/Traditional Foster Care	1,301,486			1,301,486
Specialized Mental Health Foster Care	711,876			711,876
Project SKIL	314,760			314,760
Balanced and Restorative Justice	18,471			18,471
Specialty populations	29,128			29,128
Scholarships	29,930			29,930
	<u>17,477,023</u>	<u>-</u>	<u>-</u>	<u>17,477,023</u>

Lawrence Hall Youth Services

Statements of Activities, Continued
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007
Expenses, <i>Continued</i>				
Supporting services				
Management and general	\$ 2,791,262	\$ -	\$ -	\$ 2,791,262
Fundraising	743,820			743,820
	<u>3,535,082</u>	<u>-</u>	<u>-</u>	<u>3,535,082</u>
Total functional expenses	<u>21,012,105</u>	<u>-</u>	<u>-</u>	<u>21,012,105</u>
Financing and project activities				
Bond interest	357,288			357,288
Financing costs	53,057			53,057
Temporary off-site occupancy	77,124			77,124
	<u>487,469</u>	<u>-</u>	<u>-</u>	<u>487,469</u>
Other	7,210	-	-	7,210
	<u>21,506,784</u>	<u>-</u>	<u>-</u>	<u>21,506,784</u>
Increase (decrease) in net assets before pension curtailment and accounting change	5,091,764	(612,560)	1,098,037	5,577,241
Income recognized from adoption of FAS 158	<u>1,461,645</u>			<u>1,461,645</u>
Increase (decrease) in net assets	6,553,409	(612,560)	1,098,037	7,038,886
Net assets				
Beginning of year	<u>10,411,146</u>	<u>3,416,423</u>	<u>14,422,570</u>	<u>28,250,139</u>
End of year	<u>\$ 16,964,555</u>	<u>\$ 2,803,863</u>	<u>\$ 15,520,607</u>	<u>\$ 35,289,025</u>

Lawrence Hall Youth Services

Statements of Functional Expenses
Year Ended June 30, 2008

	Residential			Special Education School	Other Programs	Total
	Institutional Group Care	Regular Group Care	Group Shelter Care			
Salaries	\$ 1,848,888	\$ 2,195,268	\$ 1,233,593	\$ 1,795,199	\$ 2,999,629	\$ 10,072,577
Employee health and retirement benefits	154,009	182,863	102,756	149,537	249,864	839,029
Payroll taxes and benefits	207,409	246,266	138,385	201,386	336,501	1,129,947
	<u>2,210,306</u>	<u>2,624,397</u>	<u>1,474,734</u>	<u>2,146,122</u>	<u>3,585,994</u>	<u>12,041,553</u>
Professional fees and contract service payments	25,592	29,168	2,762	36,499	199,532	293,553
Supplies	179,835	217,810	65,553	163,719	75,233	702,150
Telephone	27,715	46,400	14,976	29,398	82,444	200,933
Postage and shipping	1,760	1,966	122	1,331	2,357	7,536
Occupancy	251,899	212,273	80,634	218,169	290,104	1,053,079
Printing and publications	591	526	151	2,223	1,319	4,810
Local transportation	77,744	87,252	54,913	30,490	170,159	420,558
Conferences and training	7,709	10,313	2,249	18,416	38,488	77,175
Subscriptions	75	125	6	303	59	568
Foster care room and board					519,805	519,805
Specific assistance to clients	77,542	128,890	28,206	11,743	1,567,304	1,813,685
Membership dues	394	491	46	2,738	407	4,076
Minor equipment	13,189	14,158	2,245	23,809	21,782	75,183
Miscellaneous	3,618	4,686	91	5,581	4,090	18,066
	<u>2,877,969</u>	<u>3,378,455</u>	<u>1,726,688</u>	<u>2,690,541</u>	<u>6,559,077</u>	<u>17,232,730</u>
Depreciation	141,126	163,081	60,364	78,090	94,310	536,971
	<u>\$ 3,019,095</u>	<u>\$ 3,541,536</u>	<u>\$ 1,787,052</u>	<u>\$ 2,768,631</u>	<u>\$ 6,653,387</u>	<u>\$ 17,769,701</u>

Lawrence Hall Youth Services

Statements of Functional Expenses, *Continued*
 Year Ended June 30, 2008

	Supporting Services			2008
	Management and General	Fundraising	Total	
Salaries	\$ 1,412,501	\$ 404,527	\$ 1,817,028	\$ 11,889,605
Employee health and retirement benefits	117,659	33,697	151,356	990,385
Payroll taxes and benefits	158,454	45,380	203,834	1,333,781
	<u>1,688,614</u>	<u>483,604</u>	<u>2,172,218</u>	<u>14,213,771</u>
Professional fees and contract service payments	396,189	124,104	520,293	813,846
Supplies	80,277	3,998	84,275	786,425
Telephone	67,902	9,634	77,536	278,469
Postage and shipping	13,314	8,641	21,955	29,491
Occupancy	298,600	47,323	345,923	1,399,002
Printing and publications	23,906	15,420	39,326	44,136
Local transportation	41,670	7,204	48,874	469,432
Conferences and training	82,832	4,460	87,292	164,467
Subscriptions	3,503	2,098	5,601	6,169
Foster care room and board			-	519,805
Specific assistance to clients			-	1,813,685
Membership dues	42,602	2,555	45,157	49,233
Minor equipment	64,575	15,531	80,106	155,289
Miscellaneous	55,885	560	56,445	74,511
	<u>2,859,869</u>	<u>725,132</u>	<u>3,585,001</u>	<u>20,817,731</u>
Depreciation	82,182	8,759	90,941	627,912
	<u>\$ 2,942,051</u>	<u>\$ 733,891</u>	<u>\$ 3,675,942</u>	<u>\$ 21,445,643</u>

Lawrence Hall Youth Services

Statements of Functional Expenses
Year Ended June 30, 2007

	Residential			Special Education School	Other Programs	Total
	Institutional Group Care	Regular Group Care	Group Shelter Care			
Salaries	\$ 1,825,577	\$ 2,140,595	\$ 1,180,893	\$ 1,858,544	\$ 2,895,010	\$ 9,900,619
Employee health and retirement benefits	139,173	163,186	90,025	141,685	220,699	754,768
Payroll taxes and benefits	208,867	244,911	135,149	212,704	331,462	1,133,093
	<u>2,173,617</u>	<u>2,548,692</u>	<u>1,406,067</u>	<u>2,212,933</u>	<u>3,447,171</u>	<u>11,788,480</u>
Professional fees and contract service payments	37,203	43,891	16,263	41,382	252,587	391,326
Supplies	167,301	207,055	74,828	152,664	89,143	690,991
Telephone	23,906	43,433	13,700	20,059	79,085	180,183
Postage and shipping	1,162	1,211	153	1,537	5,300	9,363
Occupancy	173,656	193,248	73,897	158,000	326,636	925,437
Printing and publications	409	398	66	1,333	1,611	3,817
Local transportation	77,186	85,837	48,626	28,328	167,129	407,106
Conferences and training	7,534	7,840	1,462	14,407	18,662	49,905
Subscriptions	77	98	78	909		1,162
Foster care room and board					564,659	564,659
Specific assistance to clients	90,175	138,299	27,122	20,071	1,625,015	1,900,682
Membership dues	491	536	87	2,642	1,074	4,830
Minor equipment	16,140	18,784	2,643	33,227	32,240	103,034
Miscellaneous	4,560	5,022	493	7,111	2,103	19,289
	<u>2,773,417</u>	<u>3,294,344</u>	<u>1,665,485</u>	<u>2,694,603</u>	<u>6,612,415</u>	<u>17,040,264</u>
Depreciation	76,275	145,007	45,448	66,923	103,106	436,759
	<u>\$ 2,849,692</u>	<u>\$ 3,439,351</u>	<u>\$ 1,710,933</u>	<u>\$ 2,761,526</u>	<u>\$ 6,715,521</u>	<u>\$ 17,477,023</u>

Lawrence Hall Youth Services

Statements of Functional Expenses, *Continued*
 Year Ended June 30, 2007

	Supporting Services			2007
	Management and General	Fundraising	Total	
Salaries	\$ 1,461,982	\$ 397,494	\$ 1,859,476	\$ 11,760,095
Employee health and retirement benefits	110,287	30,303	140,590	895,358
Payroll taxes and benefits	165,607	45,491	211,098	1,344,191
	<u>1,737,876</u>	<u>473,288</u>	<u>2,211,164</u>	<u>13,999,644</u>
Professional fees and contract service payments	303,947	140,958	444,905	836,231
Supplies	70,356	6,190	76,546	767,537
Telephone	67,079	10,554	77,633	257,816
Postage and shipping	13,886	7,557	21,443	30,806
Occupancy	249,968	49,547	299,515	1,224,952
Printing and publications	28,332	8,266	36,598	40,415
Local transportation	38,620	5,522	44,142	451,248
Conferences and training	61,562	5,075	66,637	116,542
Subscriptions	4,056	4,730	8,786	9,948
Foster care room and board			-	564,659
Specific assistance to clients			-	1,900,682
Membership dues	38,288	2,150	40,438	45,268
Minor equipment	61,686	13,225	74,911	177,945
Miscellaneous	52,404	5,202	57,606	76,895
	<u>2,728,060</u>	<u>732,264</u>	<u>3,460,324</u>	<u>20,500,588</u>
Depreciation	63,202	11,556	74,758	511,517
	<u>\$ 2,791,262</u>	<u>\$ 743,820</u>	<u>\$ 3,535,082</u>	<u>\$ 21,012,105</u>

Lawrence Hall Youth Services

Statements of Functional Expenses - Other Programs
Year Ended June 30, 2008

	Independent Living	Transitional Living	Relative/ Traditional Foster Care	Specialized Mental Health Foster Care	Project SKIL	Balanced and Restorative Justice	Specialty Populations	Scholarships	Total Other Programs
Salaries	\$ 379,054	\$ 1,702,521	\$ 384,903	\$ 263,911	\$ 204,738	\$ 26,575	\$ 37,927	\$ -	\$ 2,999,629
Employee health and retirement benefits	31,575	141,817	32,062	21,983	17,054	2,214	3,159	-	249,864
Payroll taxes and benefits	42,522	190,990	43,179	29,606	22,968	2,981	4,255	-	336,501
	<u>453,151</u>	<u>2,035,328</u>	<u>460,144</u>	<u>315,500</u>	<u>244,760</u>	<u>31,770</u>	<u>45,341</u>	<u>-</u>	<u>3,585,994</u>
Professional fees and contract service									
payments	1,796	2,974	128,160	65,602			1,000		199,532
Supplies	8,448	21,487	5,945	2,000	32,285	1,703	3,365		75,233
Telephone	8,084	44,605	21,143	7,668	99	361	484		82,444
Postage and shipping		53	1,618	686					2,357
Occupancy	55,523	120,022	84,983	28,772	684		120		290,104
Printing and publications	251	296	403	173		196			1,319
Local transportation	27,741	67,689	53,058	20,751		420	500		170,159
Conferences and training	2,362	4,906	3,743	1,827	385	912	24,353		38,488
Subscriptions	23	24	8	4					59
Foster care room and board			251,136	268,669					519,805
Specific assistance to clients	526,479	941,766	47,300	6,799	7,549	286	80	37,045	1,567,304
Membership dues	21	21	109	46	210				407
Minor equipment	5,607	7,939	5,895	2,341					21,782
Miscellaneous	581	1,196	1,133	420	760				4,090
	<u>1,090,067</u>	<u>3,248,306</u>	<u>1,064,778</u>	<u>721,258</u>	<u>286,732</u>	<u>35,648</u>	<u>75,243</u>	<u>37,045</u>	<u>6,559,077</u>
Depreciation	<u>6,871</u>	<u>61,555</u>	<u>17,108</u>	<u>7,331</u>	<u>1,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,310</u>
	<u>\$ 1,096,938</u>	<u>\$ 3,309,861</u>	<u>\$ 1,081,886</u>	<u>\$ 728,589</u>	<u>\$ 288,177</u>	<u>\$ 35,648</u>	<u>\$ 75,243</u>	<u>\$ 37,045</u>	<u>\$ 6,653,387</u>

Lawrence Hall Youth Services

Statements of Functional Expenses - Other Programs
Year Ended June 30, 2007

	Independent Living	Transitional Living	Relative/ Traditional Foster Care	Specialized Mental Health Foster Care	Project SKIL	Balanced and Restorative Justice	Specialty Populations	Scholarships	Total Other Programs
Salaries	\$ 276,676	\$ 1,643,285	\$ 473,033	\$ 253,383	\$ 213,552	\$ 14,303	\$ 20,778	\$ -	\$ 2,895,010
Employee health and retirement benefits	21,093	125,274	36,061	19,317	16,280	1,090	1,584	-	220,699
Payroll taxes and benefits	31,665	188,069	54,137	28,999	24,440	1,774	2,378	-	331,462
	<u>329,434</u>	<u>1,956,628</u>	<u>563,231</u>	<u>301,699</u>	<u>254,272</u>	<u>17,167</u>	<u>24,740</u>	<u>-</u>	<u>3,447,171</u>
Professional fees and contract service payments	4,796	16,954	161,913	68,924					252,587
Supplies	5,675	29,969	6,628	1,177	45,486	44	164		89,143
Telephone	9,453	43,277	19,513	6,504	101	118	119		79,085
Postage and shipping	691	710	2,924	975					5,300
Occupancy	72,385	124,490	96,451	32,150	1,160				326,636
Printing and publications	321	321	639	213	117				1,611
Local transportation	35,608	58,565	55,393	17,338	16	104	105		167,129
Conferences and training	2,373	3,963	6,375	1,771		180	4,000		18,662
Foster care room and board			302,378	262,281					564,659
Specific assistance to clients	544,383	983,031	49,561	6,916	11,088	106		29,930	1,625,015
Membership dues	29	29	774	137	105				1,074
Minor equipment	6,258	8,667	12,955	4,318		42			32,240
Miscellaneous	270	290	708	125		710			2,103
	<u>1,011,676</u>	<u>3,226,894</u>	<u>1,279,443</u>	<u>704,528</u>	<u>312,345</u>	<u>18,471</u>	<u>29,128</u>	<u>29,930</u>	<u>6,612,415</u>
Depreciation	7,436	63,864	22,043	7,348	2,415	-	-	-	103,106
	<u>\$ 1,019,112</u>	<u>\$ 3,290,758</u>	<u>\$ 1,301,486</u>	<u>\$ 711,876</u>	<u>\$ 314,760</u>	<u>\$ 18,471</u>	<u>\$ 29,128</u>	<u>\$ 29,930</u>	<u>\$ 6,715,521</u>

Lawrence Hall Youth Services

Statements of Cash Flows

Years Ended June 30, 2008 and 2007

	2008	2007
Operating activities		
Increase (decrease) in net assets	\$ (981,785)	\$ 7,038,886
Depreciation	627,912	511,517
Realized and unrealized (gains) losses on investments	292,500	(638,754)
(Increase) decrease in value of beneficial interest in irrevocable trusts	1,157,471	(784,500)
(Gain) loss on disposal and sale of property and equipment	256,276	(1,800)
Temporarily restricted net assets utilized for purchase of property and equipment	(2,666,912)	(4,260,570)
Changes in		
Accounts receivable	104,126	(417,824)
Pledges receivable	235,956	898,335
Prepaid expenses and other assets	138,008	(65,590)
Prepaid pension cost/liability	(778,133)	(1,577,973)
Accounts payable	5,289	(92,631)
Accrued expenses	69,155	(10,367)
Accrued payroll and payroll taxes	(99,486)	94,355
Deferred revenue/contractual obligations	(129,581)	(3,418,138)
Other liabilities	289,456	
Net cash used in operating activities	<u>(1,479,748)</u>	<u>(2,725,054)</u>
Investing activities		
Additions to equipment	(640,273)	(179,746)
Renovations and improvements to buildings	(10,109,220)	(7,908,866)
Construction costs payable	(812,229)	1,403,588
Proceeds from sale of property and equipment	3,900	1,800
Proceeds from sales of investments	28,121,878	27,886,342
Purchases of investments	(16,163,722)	(41,867,197)
Net cash provided by (used in) investing activities	<u>400,334</u>	<u>(20,664,079)</u>
Financing activities		
Tax-exempt bond proceeds		15,000,000
Temporarily restricted net assets utilized for purchase of property and equipment	2,666,912	4,260,570
Net cash provided by financing activities	<u>2,666,912</u>	<u>19,260,570</u>
Increase (decrease) in cash and cash equivalents	1,587,498	(4,128,563)
Cash and cash equivalents		
Beginning of year	3,554,276	7,682,839
End of year	<u>\$ 5,141,774</u>	<u>\$ 3,554,276</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 402,817</u>	<u>\$ 357,288</u>

Note 1 Nature of Activities and Significant Accounting Policies

Nature of Activities—Lawrence Hall Youth Services (Agency) is a child welfare agency licensed by the Illinois Department of Children and Family Services (DCFS). The Agency provides services to approximately 1,200 abused, neglected, disadvantaged and educationally handicapped youths and their families in the Chicago area. Major services contracted with DCFS and the City of Chicago include residential, foster care, independent living and job placement programs and a school for children with behavioral and emotional disabilities. These contracts provide a substantial portion of the Agency's revenue.

The Agency is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Basis of Presentation—The financial statements have been prepared in accordance with accounting principles applicable to nonprofit organizations.

Net Asset Accounting—In accordance with the limitations, designations and restrictions placed on the use of resources available to the Agency, the following classifications are utilized according to the nature and purpose of the resources:

Unrestricted Net Assets. Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets. Temporarily restricted net assets are assets subject to donor-imposed restrictions that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are transferred to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets. Permanently restricted net assets are subject to donor-imposed restrictions that will not terminate. Funds are held in perpetuity while the income is available for general use. Permanently restricted net assets also reflect the Agency's beneficial interest in various irrevocable trusts.

Cash and Cash Equivalents—Cash and cash equivalents consist of highly liquid interest-bearing depository and money market accounts. The Agency considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Accounts Receivable—Accounts receivable primarily consist of amounts due from the Illinois Department of Children and Family Services and the Chicago Board of Education for program services provided. Accounts receivable are net of an allowance for doubtful accounts of \$10,000 at June 30, 2008 and 2007, determined based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless.

Investments—Investments are recorded at fair value based on quoted prices in an active market. Changes in fair value are recorded as unrealized gains (losses). Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the financial statements. Contributions of securities from donors are recorded at market value at the time the gift is made.

Property and Equipment—Property and equipment are stated at cost and are being depreciated over their estimated useful lives using the straight-line method. Amortization is being provided on the straight-line method over the term of the leases for leasehold improvements.

Functional Expenses—Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management.

Revenue Recognition—Contributions, including unconditional pledges, are recognized in the period the commitment is made. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of gift. Pledge receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions.

Note 1 Nature of Activities and Significant Accounting Policies, Continued

The Agency reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless donor stipulations specify how the assets are to be used. Gifts of long-lived assets with restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted revenue. The Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure or service delivery in accordance with the agreement.

Donated Materials and Services—Donated materials and equipment are reflected as contributions at their estimated values at date of receipt. No amounts have been reflected for donated services because they do not meet the criteria for inclusion in the financial statements. However, a substantial number of volunteers have donated significant amounts of their time to the Agency's program services and its fundraising activities.

Fair Value of Financial Instruments—The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short maturity of these instruments. The fair value of pledges are not materially different than carrying value. The carrying amount of bonds payable approximates fair value because the interest rates fluctuate with market interest rates.

Use of Estimates—In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement—The Financial Accounting Standards Board (FASB) has issued FASB Staff Position No. 126-1 (FSP 126-1), which extended the scope of the definition of a public entity for financial reporting considerations. FSP 126-1, *Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities*, requires that entities that are conduit bond obligors and have issued publicly traded debt will be subject to certain "public company accounting standards." The Agency's bonds are considered publicly traded and therefore the Agency has adopted this standard as of June 30, 2008, its effective date.

A "public company accounting standard" that affects the Agency is FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, which is effective as of June 30, 2008. Management has represented that the Agency is operated in furtherance of its exempt purpose and that it has no uncertain income tax positions which could require recording of a liability for unrecognized tax benefits.

Note 2 Pledges Receivable

Pledges receivable consist of gifts (primarily for the Campaign for the Children of Lawrence Hall) from various foundations and individuals payable in future installments. Receipts of the unpaid portion of the pledges are expected to be collected as follows:

2009	\$ 294,823
2010	233,584
2011	149,125
2012	<u>50,000</u>
	727,532
Discount to present value	<u>(31,638)</u>
	<u>\$ 695,894</u>

Lawrence Hall Youth Services

Notes to Financial Statements

Note 3 Investments

The Agency has unrestricted and restricted investments which are stated at fair value based on quoted market prices. Permanently restricted investments are restricted as to principal.

Investments consisted of:

	Held As		2008
	Unrestricted	Permanently Restricted	
Cash available for investment	\$ -	\$ 76,779	\$ 76,779
U.S. Government and corporate fixed income securities	2,559,368	1,093,877	3,653,245
Corporate equity securities and institutional mutual funds	1,475,723	1,739,058	3,214,781
	<u>\$ 4,035,091</u>	<u>\$ 2,909,714</u>	<u>\$ 6,944,805</u>

	Held As		2007
	Unrestricted	Permanently Restricted	
Cash available for investment	\$ -	\$ 156,645	\$ 156,645
U.S. Government and corporate fixed income securities	3,795,825	923,775	4,719,600
Corporate equity securities and institutional mutual funds	1,719,076	2,025,886	3,744,962
	<u>\$ 5,514,901</u>	<u>\$ 3,106,306</u>	<u>\$ 8,621,207</u>

Subsequent to year-end, the credit and liquidity crisis in the United States of America and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Agency's investments may have incurred a significant decline in fair value since June 30, 2008.

Note 4 Beneficial Interest in Irrevocable Trusts

The Agency is a beneficiary of several trusts maintained by independent trustees. The trusts' assets are to be held in perpetuity. The Agency expects to receive annual distributions of its share of the trusts' annual income. These distributions are recorded in the financial statements as earnings from beneficial interest in irrevocable trusts. The gifts have been recognized in the financial statements as beneficial interest in irrevocable trusts at the fair market value of the Agency's interests in the trusts, which amounted to \$11,252,238 at June 30, 2008 (2007 - \$12,409,709). The change in value of the beneficial interest in irrevocable trusts is recorded as permanently restricted gain or loss in the statement of activities.

Lawrence Hall Youth Services

Notes to Financial Statements

Note 5 Property and Equipment

Property and equipment consisted of:

	<u>2008</u>	<u>2007</u>
Land	\$ 109,408	\$ 109,408
Site improvements	2,048,926	15,250
Construction in progress (Note 8)		6,902,311
Buildings	19,867,156	3,384,229
Building improvements	4,357,778	3,707,824
Architectural and other fees		3,449,293
Bond financing costs	281,709	277,428
Furnishings and equipment	1,599,910	1,707,604
Automobiles	819,180	814,410
	<u>29,084,067</u>	<u>20,367,757</u>
Accumulated depreciation	<u>(5,074,377)</u>	<u>(6,219,473)</u>
	<u>\$ 24,009,690</u>	<u>\$ 14,148,284</u>

Note 6 Retirement Plans

The Agency maintains a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last years of employment. The Agency's funding policy is to contribute to the plan the annual actuarially required amounts. Effective December 31, 2005, the Agency froze the Plan; no further benefits or credited service accrue under the Plan after December 31, 2005. This action will not affect benefits accrued prior to December 31, 2005. The plan's assets are mainly invested in mutual funds.

The Agency adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which require the Agency to recognize, beginning with its fiscal year 2007 financial statements, the funding position of its plan (the difference between the fair value of plan assets and the projected benefit obligation). Because the plan was frozen, the pension liability at June 30, 2008 and 2007 is the same as required by the adoption of FAS 158. In conjunction with the plan freeze and the adoption of FAS 158, the Agency recognized a non-operating revenue item of \$627,133 (\$1,461,645 in 2007), which has been separately reported in the statement of activities as an increase in unrestricted net assets. Following is a summary of plan information as provided by the consulting actuary:

	<u>2008</u>	<u>2007</u>
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 11,981,000	\$ 11,603,814
Service cost	-	-
Interest cost	675,204	681,929
Actuarial (gain) or loss	(806,507)	135,800
Benefits paid	(469,513)	(440,543)
Projected benefit obligation, end of year	<u>11,380,184</u>	<u>11,981,000</u>
Change in plan assets		
Fair value of plan assets, beginning of year	12,645,973	11,642,007
Actual return on plan assets	646,830	1,444,509
Benefits paid	(469,513)	(440,543)
Employer contributions	-	-
Fair value of plan assets, end of year	<u>12,823,290</u>	<u>12,645,973</u>
Funded status - plan assets in excess of benefit obligation	<u>\$ 1,443,106</u>	<u>\$ 664,973</u>

Lawrence Hall Youth Services

Notes to Financial Statements

Note 6 Retirement Plans, Continued

Accumulated benefit obligation	<u>\$ 11,380,184</u>	<u>\$ 11,981,000</u>
Components of net periodic benefit cost and other amounts recognized in unrestricted net assets		
Service cost	\$ -	\$ -
Interest cost	675,204	681,929
Expected return on plan assets	(806,496)	(798,257)
Amortization of prior service cost	-	-
Amortization of transition obligation (asset)	-	-
Amortization of net loss	<u>(19,708)</u>	<u>-</u>
Total net periodic pension cost	<u>(151,000)</u>	<u>(116,328)</u>
Other changes in plan assets and benefit obligations recognized as a charge to unrestricted net assets		
Net (gain) or loss for the period	(646,841)	N/A
Amortization of net gain	19,708	N/A
Amortization of prior service (cost) credit	-	N/A
Adoption of FAS 158	<u>-</u>	<u>(1,461,645)</u>
	<u>(627,133)</u>	<u>(1,461,645)</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ (778,133)</u>	<u>\$ (1,577,973)</u>
Benefits paid	<u>\$ 469,513</u>	<u>\$ 440,543</u>
Weighted-average assumptions used to determine benefit obligations		
Discount rate	6.50 %	5.75 %
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	5.75 %	6.00 %
Expected long-term return on plan assets	6.50 %	7.00 %

The Agency's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

At June 30, 2008, plan assets were invested in mutual funds and comprised of approximately 76 percent debt securities funds, 20 percent equity funds and 4 percent in other funds. The Agency's target allocation was 69 percent debt securities, 20 percent equity securities and 11 percent in other funds. Two mutual fund holdings were in excess of 5 percent of plan assets as of June 30, 2008. As determined by its actuary, there is no required contribution for 2008 or 2007.

The Agency's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocations (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies. The investment policy is periodically reviewed by the Agency. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Lawrence Hall Youth Services

Notes to Financial Statements

Note 6 Retirement Plans, Continued

The benefits expected to be paid for the next 10 years are as follows:

2009	\$	507,207
2010		518,829
2011		524,012
2012		581,143
2013		613,693
2014-2018		<u>3,628,739</u>
	<u>\$</u>	<u>6,373,623</u>

In April 2006, the Agency instituted a qualified 401(k) plan for its employees. Employees are eligible to contribute to the plan upon employment and anytime thereafter. The Agency provides a matching contribution to employees that have completed one year of service during which the employee has completed 1,000 hours of service. The Agency's required matching contribution is 100 percent of the employee's first 3 percent contribution and 50 percent of the employee's next 2 percent contribution for a maximum Agency contribution of 4 percent. Employer contributions for fiscal years 2008 and 2007 were \$242,746 and \$214,794, respectively.

Note 7 Deferred Revenue/Contractual Obligations

A deferred obligation of \$129,581 at June 30, 2007, represents grant funds received from the Illinois Department of Children and Family Services in excess of program expenditures for certain programs. During fiscal year 2008, the Illinois Department of Children and Family Services allowed the Agency to retain these funds to offset program operating expenditures.

Note 8 Campus Renovation/State and Federal Grants

During fiscal 2000, the Agency initiated a planning process to provide for the reconfiguration of its Francisco Avenue Campus and the replacement of facilities at this site (the project). The Agency received state and federal grants for the project and has expended grant funds for project activities as follows:

	<u>Grant Proceeds</u>	<u>Grant Expenditures</u>
State of Illinois		
Capital Development Board (\$3.5 million grant awarded in fiscal 2001 and \$40,000 grant awarded in fiscal 2007)		
2001	\$ -	\$ 527,467
2002	1,575,000	572,464
2003	1,575,000	453,607
2004		33,490
2005		307,097
2006	350,000	21,347
2007	40,000	422,565
2008		<u>1,201,963</u>
	<u>\$ 3,540,000</u>	<u>\$ 3,540,000</u>

Lawrence Hall Youth Services

Notes to Financial Statements

Note 8 **Campus Renovation/State and Federal Grants, Continued**

Department of Commerce and Economic Opportunity (\$2 million grant awarded in fiscal 2002)		
2003	\$ 1,000,000	\$ -
2004		
2005		298,101
2006	1,000,000	21,460
2007		1,279,194
2008		401,245
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
United States Department of Housing and Urban Development (fiscal 2005)		
2007	\$ 74,558	\$ -
2008		74,558
	<u>\$ 74,558</u>	<u>\$ 74,558</u>

During fiscal year 2007, project construction commenced and \$1,677,766 in funds were recorded as grants received from government agencies in the temporarily restricted fund. These funds were completely expended under the grants for project activities during fiscal year 2008 and recorded as net assets released from restrictions in the statement of activities. Payments under the grants are made in accordance with the grant terms to cover qualified expenditures.

The Agency substantially completed Phase I of the Campus Renovation project during fiscal year 2008. Phase I includes the construction of a new Residential Treatment Center, the renovation of the gymnasium and various site improvements. The total estimated cost of Phase I project activities is \$22,500,000. Remaining phases of campus redevelopment to be conducted in the future include a new special education therapeutic day school, administrative center, gymnasium and library.

Note 9 **Bonds Payable**

In November 2006, the Agency issued 35-year variable rate tax-exempt bonds through the Illinois Finance Authority (the Authority) in the amount of \$15,000,000. The Agency entered into a loan agreement with the Authority for the proceeds of the bond issue, which are held by the trustee (Bank of New York) and disbursed periodically for payment of expenditures incurred in conjunction with the Agency's Francisco Avenue campus renovation project (see Notes 8 and 10). The bonds have a maturity date of November 1, 2041. Interest (at 1.59 percent and 3.77 percent as of June 30, 2008 and 2007, respectively) is payable monthly, and principal payments are scheduled annually as follows:

2008	\$ 545,000
2009	565,000
2010	585,000
2011	605,000
2012	630,000
Thereafter	<u>12,070,000</u>
	<u>\$ 15,000,000</u>

Related loan obligations are collateralized by a first mortgage on the Francisco Avenue property granted to Fifth Third Bank (the Bank). The Bank has issued an irrevocable five-year letter of credit, which expires November 6, 2011, in conjunction with the bond financing and related loan agreements.

The Agency maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Agency's specific goal is to lower the cost of its borrowed funds.

Lawrence Hall Youth Services

Notes to Financial Statements

Note 9 Bonds Payable, *Continued*

The Agency entered into an interest rate swap transaction effective July 31, 2007 and evidenced by a master agreement dated May 9, 2007. The notional amount of the agreement is \$7,500,000. The agreement effectively changes the Agency's interest exposure on one half of the Agency's \$15,000,000 loan from variable to fixed rates. The swap agreement terminates July 31, 2014 and provides for a fixed interest rate of 3.90 percent. At June 30, 2008, the interest rate environment relative to the provisions of this agreement is such that this agreement has a negative market value. This market value deficit is recorded in the Statement of Financial Position as Other Liabilities, and the decline in value during 2008 is recorded in the Statement of Activities as an Unrealized Loss on Swap Agreement.

Subsequent to year-end, the Bank consented to the Agency's request for waiver of the principal payment scheduled for November 3, 2008, which is allowed under the Reimbursement Agreement between the Agency and the Bank. The Bank had granted a similar waiver with regard to the principle payment due November 1, 2007.

The Agency was not in compliance with a certain financial covenant for the year and has requested a waiver for this requirement from the Bank. The Bank has provided, and the Agency has executed a waiver agreement dated December 29, 2008, which waives compliance with the minimum capital campaign pledges received requirement for the fiscal year ended June 30, 2008.

Note 10 Funds Held for Construction

In conjunction with the issuance of tax-exempt bonds, loan proceeds in the amount of \$15,000,000 were deposited with the bond trustee in November 2006. These funds are disbursed periodically to reimburse the Agency for approved expenditures related to the Francisco Avenue Campus construction project. Funds held by the trustee were invested as follows:

	2008	2007
Cash and equivalent	\$ 505,335	\$ 2,024,323
U.S. Government and government agency fixed income securities		8,558,112
U.S. corporate fixed income securities		497,155
	<u>\$ 505,335</u>	<u>\$ 11,079,590</u>

Note 11 Net Assets Restrictions

Restricted net assets consisted of:

	2008		2007	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Beneficial interest in irrevocable trusts	\$ -	\$ 11,252,238	\$ -	\$ 12,409,709
Undesignated permanently restricted funds		2,884,228		3,077,030
Recreation	24,087		64,613	
Residential	55,440		18,418	
School	29,041	31,746	34,238	33,868
Chaplaincy	1,066		1,610	
Scholarships	39,673		39,664	
Property and equipment	125,000		1,802,775	
Campaign for the Children of Lawrence Hall	651,700		820,322	
Professional development and training	4,398		10,000	
Clinical services	10,000		7,500	
Other	9,513		4,723	
	<u>\$ 949,918</u>	<u>\$ 14,168,212</u>	<u>\$ 2,803,863</u>	<u>\$ 15,520,607</u>

Lawrence Hall Youth Services

Notes to Financial Statements

Note 11 Net Assets Restrictions, *Continued*

Temporarily restricted balances represent funds available for use, while permanently restricted balances represent funds held in perpetuity, the income of which is to be used for the designated purposes.

Assets released from restrictions are as follows:

	<u>2008</u>	<u>2007</u>
Independent/Transitional living	\$ 13,025	\$ 25,500
Residential	88,010	67,730
Clinical services	7,500	
Foster care	5,000	
Recreation	161,825	93,750
School	34,088	92,572
Chaplaincy	32,093	35,026
Scholarships	37,295	33,860
Christmas gifts	11,060	20,594
Additions to property and equipment	2,666,912	4,260,570
Professional development and training	12,202	55,500
Other	14,784	11,750
	<u>\$ 3,083,794</u>	<u>\$ 4,696,852</u>

Note 12 Lease Obligations

The Agency occupies office facilities at 65 East Wacker Place in Chicago, Illinois under a lease expiring in 2015. Various equipment operating leases are in effect as well. Approximate minimum future rental payments required under these leases are as follows:

2009	\$ 427,000
2010	418,000
2011	412,000
2012	405,000
2013	409,000
2014-2015	<u>842,000</u>
	<u>\$ 2,913,000</u>

Rent expense for fiscal year 2008 was \$502,597 (2007 - \$524,684).

Note 13 Contingencies

From time to time, the Agency is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Agency at June 30, 2008.

Note 14 Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157 ("SFAS 157"), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 17, 2007, and interim periods within those fiscal years. At this time, management is evaluating the implications of SFAS 157 and its impact on financial statements issued in subsequent periods.

Note 14 **Recently Issued Accounting Pronouncements, *Continued***

FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds and establishes disclosure requirements for board-designated and donor-restricted endowment funds. The provisions of the FSP are effective for fiscal years ending after December 15, 2008. Management is in the process of evaluating the provisions of the standard and its potential effect on the Agency's financial statements.

Supplementary Information

Lawrence Hall Youth Services

Schedule of Restricted Grants from Government Agencies
Year Ended June 30, 2008

	Illinois Department of Commerce and Economic Opportunity* #02-120160	Illinois Capital Development Board ** #900-010-161 #900-010-274	United States Department of Housing and Urban Development	Total
Balance of restricted grants, July 1, 2007	\$ 401,245	\$ 1,201,963	\$ 74,558	\$ 1,677,766
Expenditures				
Construction in progress	(392,995)	(1,101,814)	(74,558)	(1,569,367)
Architectural and other consultant fees	(8,250)	(100,149)		(108,399)
Balance of restricted grants, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*\$2,000,000 grant funds received, net of expenditures of \$298,101 in fiscal year 2005, \$21,460 in 2006, \$1,279,194 in 2007 and \$401,245 in 2008 (see Note 8).

**\$3,540,000 grant funds received, net of expenditures of \$527,467 in fiscal year 2001, \$572,464 in 2002, \$453,607 in 2003, \$33,490 in 2004, \$307,097 in 2005, \$21,347 in 2006, \$422,565 in 2007, and \$1,201,963 in 2008 (see Note 8).

Lawrence Hall Youth Services

Schedule of Unrestricted Fees and Grants from Government Agencies
 Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Residential Programs			Special Education School	Older Adolescent Programs	
	Institutional Group Care	Regular Group Care	Group Shelter Care		Independent Living	Transitional Living
Service fees						
Illinois Department of Children and Family Services	\$ 2,711,407	\$ 3,446,678	\$ 1,928,140	\$ 48,524	\$ 1,256,067	\$ 3,678,758
Chicago Board of Education - Special Education				3,237,540		
Local Education Agencies				68,748		
Grants						
Food grants	20,924	23,216	10,745	36,868		7,486
	<u>\$ 2,732,331</u>	<u>\$ 3,469,894</u>	<u>\$ 1,938,885</u>	<u>\$ 3,391,680</u>	<u>\$ 1,256,067</u>	<u>\$ 3,686,244</u>

Lawrence Hall Youth Services

Schedule of Unrestricted Fees and Grants from Government Agencies, *Continued*
 Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Relative/ Traditional Foster Care	Specialized Mental Health Foster Care	Other Programs	Total	
				2008	2007
Service fees					
Illinois Department of Children and Family Services	\$ 1,058,470	\$ 885,671	\$ -	\$ 15,013,715	\$ 15,498,080
Illinois Department of Human Services Project SKIL (Title XX)			197,446	197,446	207,906
Chicago Board of Education - Special Education				3,237,540	3,105,104
Local Education Agencies				68,748	61,980
Other			760	760	1,228
Grants					
Food grants				99,239	99,020
	<u>\$ 1,058,470</u>	<u>\$ 885,671</u>	<u>\$ 198,206</u>	<u>\$ 18,617,448</u>	<u>\$ 18,973,318</u>

Lawrence Hall Youth Services

Schedule of Property and Equipment
June 30, 2008

	Assets				Accumulated Depreciation				Net, June 30, 2008		
	Balance, July 1, 2007	Additions	Retirements	Reclassified	Balance, June 30, 2008	Balance, July 1, 2007	Provisions	Retirements		Reclassified	Balance, June 30, 2008
Francisco Avenue Campus											
Land	\$ 51,458	\$ -	\$ -	\$ -	\$ 51,458	\$ -	\$ -	\$ -	\$ -	\$ -	
Site improvements	15,250		13,450	2,047,126	2,048,926	9,946	1,490	9,950		1,486	
Construction in progress	6,902,311			(6,902,311)	-					-	
Buildings	2,810,482	9,837,465	642,125	7,287,588	19,293,410	2,078,514	142,761	569,533		1,651,742	
Building improvements	531,675	133,801	283,515	577,671	959,632	401,307	36,902	251,369		186,840	
Furnishings and equipment	629,346	474,949	416,630	239,140	926,805	497,877	59,457	389,477		167,857	
Architectural and other fees	3,250,214			(3,250,214)	-					-	
Bond financing costs	277,428	3,281		1,000	281,709	7,059	14,195			21,254	
Sandberg Center Property											
Land	20,000				20,000					-	
Buildings	245,943				245,943	245,943				245,943	
Building improvements	295,521	56,287	3,963	17,453	365,298	207,700	8,406	3,963	3,831	215,974	
Furnishings and equipment	120,986	7,197	41,471		86,712	63,864	11,719	41,379		34,204	
Architectural and other fees	17,453			(17,453)	-	3,831			(3,831)	-	
Group Home Properties											
Land	37,950				37,950					-	
Buildings	327,804				327,804	320,844	1,630			322,474	
Building improvements	2,760,496	76,604	107,793	181,626	2,910,933	905,437	170,532	99,100	35,808	1,012,677	
Furnishings and equipment	101,222	8,718	27,430		82,510	70,881	9,833	26,524		54,190	
Architectural and other fees	181,626			(181,626)	-	35,808			(35,808)	-	
Automobiles	814,410	108,908	104,139		819,179	642,206	101,675	104,139		639,742	
Wacker Building Property											
Leasehold improvements	120,132	1,782			121,914	93,476	12,102			105,578	
Furnishings and equipment	856,050	40,501	392,668		503,883	634,780	57,210	277,575		414,415	
	<u>\$ 20,367,757</u>	<u>\$ 10,749,493</u>	<u>\$ 2,033,184</u>	<u>\$ -</u>	<u>\$ 29,084,066</u>	<u>\$ 6,219,473</u>	<u>\$ 627,912</u>	<u>\$ 1,773,009</u>	<u>\$ -</u>	<u>\$ 5,074,376</u>	<u>\$ 24,009,690</u>