

PALATINE TOWNSHIP
SENIOR CITIZENS COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

FEBRUARY 29, 2017

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Russell P. Cannizzo & Company

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palatine Township Senior Citizens Council
Palatine, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Palatine Township Senior Citizens Council (a nonprofit corporation), which comprise the statements of financial position as of February 28, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 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.

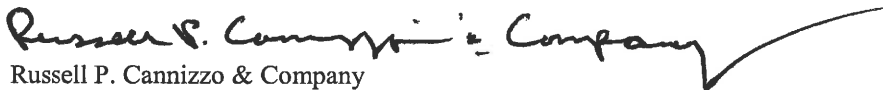
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palatine Township Senior Citizens Council, as of February 28, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Palatine Township Senior Citizens Council February 29, 2016 financial statements, and our report dated May 13, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended February 28, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Russell P. Cannizzo & Company
Arlington Heights, Illinois
May 11, 2017

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
 STATEMENTS OF FINANCIAL POSITION
 FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash	\$ 163,522	\$ 151,106
Certificates of deposits	-	15,420
Receivables :		
Age Options	13,275	2,579
Barrington Area Council on Aging	1,231	1,695
Palatine Township	7,125	-
Prepaid expenses and other	8,995	8,525
TOTAL CURRENT ASSETS	194,148	179,325
PROPERTY and EQUIPMENT		
Building improvements	1,262,854	1,262,854
Furniture and equipment	181,571	181,571
Assets acquired under capital lease	14,958	14,958
	1,459,383	1,459,383
Less: Accumulated depreciation and amortization under capital lease	(773,211)	(729,303)
Net property and equipment	686,172	730,080
RESTRICTED ENDOWMENT INVESTMENTS AT FAIR MARKET VALUE	388,319	296,925
TOTAL ASSETS	\$ 1,268,639	\$ 1,206,330
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 37,765	\$ 29,729
Deferred revenues-current portion	33,928	32,545
TOTAL CURRENT LIABILITIES	71,693	62,274
LONG TERM LIABILITIES		
Deferred revenues-long term portion	328,828	362,756
TOTAL LONG TERM LIABILITIES	328,828	362,756
TOTAL LIABILITIES	400,521	425,030
NET ASSETS		
Unrestricted - available for general activities	479,799	484,375
Temporarily Restricted	-	-
Permanently Restricted	388,319	296,925
TOTAL NET ASSETS	868,118	781,300
TOTAL LIABILITIES AND NET ASSETS	\$ 1,268,639	\$ 1,206,330

The accompanying notes are an integral part of this statement.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
STATEMENTS OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2017
(With comparative totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
PUBLIC SUPPORT AND REVENUES					
Public Support:					
Received directly:					
Contributions	\$ 149,774	\$ -	\$ 54,526	\$ 204,300	\$ 191,836
Special events revenue	81,847	-	-	81,847	83,905
Received indirectly:					
Allocated by United Way	20,000	-	-	20,000	20,000
Total public support	251,621	-	54,526	306,147	295,741
Revenues:					
Grants from government agencies:					
Age Options - Federal Title III					
Title IIIB	101,502	-	-	101,502	76,930
Congregate meals Title III-C1	21,571	-	-	21,571	33,029
Home delivered meals Title III-C2	69,236	-	-	69,236	54,704
Palatine Park District	313,658	-	-	313,658	308,202
Palatine Township	85,500	-	-	85,500	93,000
Other revenues:					
Membership dues	15,138	-	-	15,138	16,607
Program service fees	206,546	-	-	206,546	190,647
Interest and investment income	109	-	8,320	8,429	9,604
Change in market value of investments	-	-	45,843	45,843	(41,251)
Gain (loss) on sale of investments	-	-	(829)	(829)	9,118
Investment expenses	-	-	(2,466)	(2,466)	(2,299)
Facility rental	21,786	-	-	21,786	19,931
Total revenues	835,046	-	50,868	885,914	768,222
Net assets released from restrictions	14,000	-	(14,000)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	1,100,667	-	91,394	1,192,061	1,063,963
EXPENSES					
Program Services:					
Social services	256,580	-	-	256,580	251,974
Nutrition	196,817	-	-	196,817	222,445
Health	33,329	-	-	33,329	32,364
Education	34,534	-	-	34,534	31,626
Recreation	388,109	-	-	388,109	335,194
Total program services	909,369	-	-	909,369	873,603
Support Services:					
Management and General	98,122	-	-	98,122	91,094
Fund Raising	97,752	-	-	97,752	94,898
Total support services	195,874	-	-	195,874	185,992
TOTAL EXPENSES	1,105,243	-	-	1,105,243	1,059,595
(Decrease) Increase in Net Assets	(4,576)	-	91,394	86,818	4,368
NET ASSETS AT BEGINNING OF YEAR	484,375	-	296,925	781,300	776,932
NET ASSETS AT END OF YEAR	\$ 479,799	\$ -	\$ 388,319	\$ 868,118	\$ 781,300

The accompanying notes are an integral part of this statement.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	PROGRAM SERVICES					SUPPORT SERVICES			2016 TOTAL		
	SOCIAL SERVICES	NUTRITION	HEALTH	EDUCATION	RECREATION	TOTAL	MANAGEMENT & GENERAL	FUND RAISING		TOTAL	
Office Salaries	\$ 170,355	\$ 47,249	\$ 209	\$ 8,681	\$ 110,817	\$ 337,311	\$ 73,362	\$ 57,642	\$ 131,004	\$ 468,315	\$ 449,064
Payroll Taxes	12,761	3,539	16	650	8,301	25,267	5,495	4,318	9,813	35,080	34,638
Benefits	18,186	7,225	28	915	12,555	38,909	3,720	979	4,699	43,608	38,801
Total Salaries & Related Expenses	201,302	58,013	253	10,246	131,673	401,487	82,577	62,939	145,516	547,003	522,503
Rent in Kind	9,024	7,754	13,481	8,627	33,195	72,081	3,770	3,249	7,019	79,100	79,100
Utilities	2,874	2,469	4,293	2,747	10,572	22,955	1,201	1,035	2,236	25,191	22,583
Rent / POC Office	1,080	-	-	-	-	1,080	-	-	-	1,080	1,080
Telephone	2,745	1,090	4	1,895	138	5,872	562	148	710	6,582	6,648
Repairs & Maintenance	4,535	3,321	4,916	3,207	12,959	28,938	1,629	1,251	2,880	31,818	29,554
Postage	1,532	609	2	77	1,057	3,277	313	83	396	3,673	4,321
Administrative/Travel	7,163	1,269	5	161	3,695	12,293	942	877	1,819	14,112	15,148
Office Expense	3,685	1,464	6	185	2,544	7,884	754	198	952	8,836	10,031
Printing	1,087	432	1	55	750	2,325	222	59	281	2,606	3,247
Dues & Subscriptions	3,394	1,348	5	171	2,343	7,261	694	183	877	8,138	8,833
Insurance	6,585	2,460	10	317	5,185	14,557	1,650	2,163	3,813	18,370	18,436
Fund Raising	-	-	-	-	-	-	-	22,788	22,788	22,788	24,924
Legal & Accounting	4,466	1,774	7	225	3,084	9,556	914	241	1,155	10,711	10,798
Training/Education	115	-	-	-	-	115	-	45	45	160	444
Restaurant/Tickets	-	-	-	-	443	443	-	-	-	443	1,020
Bus & Travel	-	-	-	-	149,804	149,804	-	-	-	149,804	123,515
Center Activities	-	-	-	-	5,120	5,120	-	-	-	5,120	6,547
Respite	20	-	-	-	-	20	-	-	-	20	63
Supplies	46	108,863	-	-	71	108,980	-	-	-	108,980	109,660
Depreciation & Amortization	5,010	4,304	7,483	4,789	18,426	40,012	2,093	1,803	3,896	43,908	43,012
Interest-Bond	1,917	1,647	2,863	1,832	7,050	15,309	801	690	1,491	16,800	18,128
TOTAL	\$ 256,580	\$ 196,817	\$ 33,329	\$ 34,534	\$ 388,109	\$ 909,369	\$ 98,122	\$ 97,752	\$ 195,874	\$ 1,105,243	\$ 1,059,595

The accompanying notes are an integral part of this statement.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

	2017	2016
CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 86,818	\$ 4,368
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized (gain) loss on sale of investments	829	(9,118)
Unrealized (gain) loss on investments	(45,843)	41,251
Depreciation and amortization	43,908	43,011
Net Changes in assets and liabilities:		
Change in receivables	(17,357)	2,820
Change in prepaid expenses	(470)	142
Change in accrued expenses	8,036	(16,429)
Change in deferred revenues	(32,545)	(31,219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	43,376	34,826
CASH FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(66,484)
NET CASH USED BY INVESTING ACTIVITIES	-	(66,484)
CASH FROM FINANCING ACTIVITIES		
Proceeds of certificates of deposits	15,420	67,402
Purchases of endowment investments	(135,374)	(143,715)
Proceeds from sales of endowment investments	88,994	60,615
NET CASH USED BY FINANCING ACTIVITIES	(30,960)	(15,698)
NET INCREASE (DECREASE) IN CASH	12,416	(47,356)
CASH -		
Beginning of year	151,106	198,462
End of year	\$ 163,522	\$ 151,106
Supplemental Disclosures:		
Interest Paid	\$ 16,800	\$ 18,128

The accompanying notes are an integral part of this statement.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies which have been followed in preparing the accompanying financial statements is set forth below.

Nature of Activities

Palatine Township Senior Citizens Council (the Council) was established in 1973 as an Illinois non-profit corporation and is a multi-purpose accredited senior center, which provides a community focal point for services, related to older adults and their families residing in Palatine Township and surrounding communities.

The Council provides services under the following program descriptions:

- Social Services: Those services which enable adults to remain independent within the community. Some of the services include case advocacy and support, information and assistance.
- Nutrition: Services in this program include home delivered meals and hot congregate meals. The Council provides meals, space, volunteer recruitment, publicity, furniture, housekeeping, and staff for contracts funded by Age Options.
- Health: Those services which promote a healthy lifestyle and/or provide preventative health services.
- Education: Services which offer learning experiences for older adults.
- Recreation: On-and-off site activities which provide socialization, fitness and leisure for older adults. Offerings range from passive to active in level of ability to accommodate the various levels of participants.

Method of Accounting

The Council maintains its records on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Council reports information regarding its financial position and activities according the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets in accordance with FASB ASC 958-210 Not-For-Profit entities - Balance Sheet (formerly SFAS No. 117).

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions

Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all checking and saving accounts to be cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. The costs of maintenance and repairs are charged to expense as incurred.

Donated Materials and Services

The Council records the value of donated goods or services when there is an objective basis available to measure their value. Included in the accompanying Statement of Activities in revenues from other governmental agencies and unrestricted contributions and in the accompanying Statement of Functional Expenses in rent-in-kind is \$79,100 of donated space and equipment rental. No other amounts have been reflected in the statements for donated goods or services.

During the fiscal year ended February 28, 2017, there were no material donated services meeting the requirements for recognition in the financial statements. However, a substantial number of volunteer hours are donated to the Council to carry out its programs which are not recorded in the accompanying financial statements.

Income Taxes

The Council, as a nonprofit organization, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Contributions to the Council are tax deductible since the Organization qualifies under Section 170(c) of the Internal Revenue Code.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes – Continued

The accounting standard FASB ASC 740, Income Taxes, 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. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Council's tax returns to determine whether the tax positions are "more likely than not" of being sustained when challenged or when examined by the applicable tax authority. The measurement of unrecognized tax benefits as well as unrecorded tax liability is adjusted when new information is available, or when an event occurs that requires a change. For the fiscal year ended February 28, 2017, the Organization has determined that there were no material uncertain tax positions. The Organization is no longer subject to examination by the Internal Revenue Service for fiscal years before February 28, 2013.

Functional Expenses

Functional expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the related activities.

2. INVESTMENTS

In determining fair value, the Council uses various valuation approaches for fair value measurement within FASB ASC 820. Fair value measurements are determined based on the assumptions that the market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the uses of unobservable inputs by requiring that the most observable inputs be used when available. The defined levels within the hierarchy based on the reliability of inputs are as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

As of February 28, 2017, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investment securities. Securities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is still considered active at the last transaction price before year-end. The Council measures fair value for mutual funds and money markets as classified within Level 1 of the valuation hierarchy and certificates of deposit as classified within Level 2 of the valuation hierarchy and are included in investments in the accompanying balance sheet.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 FEBRUARY 28, 2017

2. INVESTMENTS – Continued

Restricted endowment investments are presented in the financial statements in the aggregate at their fair market value.

Restricted endowment investments are comprised of the following at February 28, 2017 and February 29, 2016:

		<u>2017</u>	
		<u>Cost</u>	<u>Market</u>
Mutual and exchange traded funds (level 1)	\$	349,955	\$ 381,764
Money market (level 1)		6,555	6,555
Total	\$	<u>356,510</u>	\$ <u>388,319</u>
 <u>2016</u>			
Mutual and exchange traded funds (level 1)	\$	294,840	\$ 280,806
Money market (level 1)		16,119	16,119
Total	\$	<u>310,959</u>	\$ <u>296,925</u>

Unrestricted investments are comprised of the following at February 28, 2017 and February 29, 2016.

		<u>2017</u>	
		<u>Cost</u>	<u>Market</u>
Certificates of Deposit (level 2)	\$	0	\$ 0
Total	\$	<u>0</u>	\$ <u>0</u>
 <u>2016</u>			
Certificates of Deposit (level 2)	\$	15,420	\$ 15,420
Total	\$	<u>15,420</u>	\$ <u>15,420</u>

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce growth and income while assuming a moderate level of investment risk.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

2. INVESTMENTS – Continued

Strategies Employed for Achieving Objectives

To satisfy its growth and income objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places emphasis on equity-based investments to achieve its long-term investment objectives within prudent risk constraints.

Spending Policy and the Investment Objectives Relate to the Spending Policy

The Council has a policy of appropriating for distribution each year an amount that is determined and approved by the Board of Directors. The Council considers the long-term expected return and the actual return on its invested endowment. Accordingly, over the long term, the Council expects the current spending policy to allow its endowment to grow. This is consistent with Council's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

3. PERMANENTLY RESTRICTED NET ASSETS

During the fiscal year ended February 28, 2001 the Council with various donors established a fund to provide income for the maintenance of the organization. The use of the assets of the fund are permanently restricted by the desire of the donors to endow the Council with funds to carry out its mission in perpetuity. The principal of the fund must be maintained permanently and is classified as permanently restricted net assets. Investment income is expendable to support any activities of the organization. During the fiscal year ended February 28, 2017 \$14,000 was released from the endowment fund and used for operating expenses.

4. CONCENTRATION OF CREDIT RISK

The Council maintains its cash balances at financial institutions located in the United States. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each Institution up to \$250,000. PTSCC does not have funds on deposit as of February 28, 2017 in a single banking institution in excess of \$250,000.

5. BANK LINE OF CREDIT

On December 16, 2015 the Council obtained a \$51,000 line of credit. The line of credit bears interest at the prime rate plus 0.75% (4.50% at February 28, 2017). At February 28, 2017 there were no outstanding borrowings under this agreement.

PALATINE TOWNSHIP SENIOR CITIZENS COUNCIL
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

6. OPERATING LEASE COMMITMENTS

The Council occupies additional office space at the Community Resource Center under an operating lease expiring April 30, 2017. The Council is generally responsible for base rent, maintenance and insurance.

Future minimum lease payments under the current leases are as follows:

2018	\$	1,080
2019		180
Total	\$	<u>1,260</u>

Rental expenses for all operating leases amounted to \$1,080 for the fiscal year ended February 28, 2017.

7. JOINT VENTURE AGREEMENT

On November 13, 2012, the Council and the Palatine Park District (the Park District) extended their joint venture agreement for use of facilities acquired by the Park District through a Community Development Block Grant. The agreement provides for sole use of the facilities by the Council through December 31, 2025 for purposes of providing activities for senior citizens consistent with its character and stipulates that the Park District will remain sole owner of the facilities.

The agreement stipulates that the Park District is to contribute toward the maintenance, repair, operation, taxes and insurance of the facilities in the amount of \$110,000 for the first year of the agreement and \$110,000 plus an increase defined in the agreement for every year thereafter. During the fiscal year ended February 28, 2017 the Council received \$313,658. The agreement provided that the Park District advance the Council \$800,000 for use in the renovation of the facilities. The advance is being repaid by the Council as a deduction from the annual contributions of the Park District at the revised rate of \$49,346 per year. These deductions include interest at the rate earned by the Park District on its investments.

The annual contribution by the Park District and use of facilities by the Council is conditioned upon the Council meeting its obligations for use and maintenance of the facilities and, therefore, represents a conditional promise to give which under FASB ASC 958 is not recorded until the conditions are met. Therefore, the \$800,000, which was advanced to the Council during the fiscal year ended February 28, 1998, has been recorded in the Statement of Financial Position as Deferred Revenue. Deductions from the annual park district donation began in the fiscal year ended February 28, 1999. Interest in the amount of \$16,800 has been charged to expense in the fiscal year ended February 28, 2017 related to the annual deduction from the Park District donation.

The Council has included in the accompanying financial statements \$79,100 as donated space and a related expense of rent-in-kind related to the use of these facilities.

8. SUBSEQUENT EVENTS

The Council has evaluated subsequent events through May 11, 2017, the date which the financial statements were available to be issued.