UCAN and Affiliates

Consolidated Financial Report
June 30, 2017

Contents

Independent Auditor's Report

To the Board of Directors
UCAN and Affiliates

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of UCAN and Affiliates (UCAN) which comprise the consolidated statement of financial position as of June 30, 2017, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 UCAN and Affiliates as of June 30, 2017, and the changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information
We have previously audited UCAN's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
March 9, 2018

UCAN and Affiliates

Consolidated Statement of Financial Position
June 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 554,710	$ 173,094
Accounts receivable, net of allowance for doubtful accounts of $476,780 for 2017 and $366,486 for 2016	5,148,712	5,046,118
Grants receivable	608,305	602,026
Pledges receivable, net of allowance for doubtful accounts of $160,690 for 2017 and $23,040 for 2016	1,286,024	1,475,573
Prepaid expenses and other current assets	294,366	387,528
	7,892,117	7,684,339
Pledges receivable, net of allowance for doubtful accounts of $32,134 for 2017 and $50,302 for 2016	1,003,282	1,606,016
Investments	9,988,619	9,076,296
Cash in restricted construction account	973	4,147,646
Institutional properties:		
Land	3,036,630	3,047,362
Land improvements	71,031	92,635
Buildings and improvements	43,841,868	33,933,626
Furniture and equipment	6,276,933	5,861,815
Leasehold improvements	102,298	93,432
Motor vehicles	361,374	332,002
New Campus construction in progress	-	12,338,559
Works of art	35,000	-
	53,725,134	55,699,431
Less accumulated depreciation	(9,854,690)	(10,621,617)
	43,870,444	45,077,814
NMTC restricted fee reserve cash account	395,385	519,711
NMTC leveraged loans receivable	21,307,060	21,307,060
Beneficial interest in trusts	11,291,913	10,445,036
	32,994,358	32,271,807
	$ 95,749,793	$ 99,863,918

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Financial Position (Continued)
June 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 3,102,872	$ 3,066,628
Construction payable	-	3,939,380
Accrued expenses	179,453	195,076
Deferred revenue	131,337	112,725
Accrued payroll and benefits	1,844,978	1,469,448
Accrued vacation	806,458	838,786
Deferred compensation	24,000	12,000
Operating line of credit	1,430,513	1,954,176
Current portion of notes payable	24,464	244,886
Current portion of UTHC construction term loan	94,006	1,972,796
Current portion of construction term loan	187,884	-
Current portion of TIF bridge loan	500,000	500,000
	8,325,965	14,305,901
Long-Term liabilities:		
Notes payable, net	248,187	258,721
UTHC construction term loan, net	1,863,975	-
Construction term loan, net	1,206,488	1,314,725
TIF bridge loan, net	1,469,079	1,958,709
Federal Home Loan Bank note, net	1,218,516	1,180,398
NMTC notes payable, net	32,644,709	32,490,270
Bonds payable, net	8,170,894	8,133,693
Mozart bridge loan	-	781,657
Deferred compensation	76,887	106,887
Accrued pension	1,176,627	1,689,111
	48,075,362	47,914,171
Net assets:		
Unrestricted	26,274,790	14,956,844
Temporarily restricted	1,432,489	11,892,692
Permanently restricted	11,641,187	10,794,310
	39,348,466	37,643,846
	$ 95,749,793	$ 99,863,918

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Support, revenue and gains:					
Program support:					
Government	$ 35,255,441	$ -	$ -	$ 35,255,441	$ 33,180,597
Private agency/third-party	88,626	-	-	88,626	52,657
Services in-kind	75,613	-	-	75,613	77,572
Other/miscellaneous	442	-	-	442	960
	35,420,122	-	-	35,420,122	33,311,786
Public support:					
Contributions	189,008	272,288	-	461,296	961,016
Gifts in-kind	324,478	-	-	324,478	378,050
Bequest	49,165	-	-	49,165	5,726
Foundations	35,118	788,274	-	823,392	2,136,932
Benefit income, net of expenses of $105,896 and $124,523, respectively	796,635	-	-	796,635	710,421
Trust income	594,295	-	-	594,295	598,506
	1,988,699	1,060,562	-	3,049,261	4,790,651
Revenue and gains:					
Investment and dividend income	74,637	-	-	74,637	186,861
Net realized and unrealized gain (loss)	701,342	-	846,877	1,548,219	(1,357,442)
Net gain on sale of institutional properties	1,535,749	-	-	1,535,749	3,723,731
Rental income	6,000	-	-	6,000	13,845
Miscellaneous	-	-	-	-	50,231
TIF redevelopment revenues	500,000	-	-	500,000	-
	2,817,728	-	846,877	3,664,605	2,617,226
Net assets released from restrictions:					
Satisfaction of donor/funder restrictions	11,520,765	(11,520,765)	-	-	-
	51,747,314	(10,460,203)	846,877	42,133,988	40,719,663
Expenses:					
Program services:					
Therapeutic youth home	9,022,238	-	-	9,022,238	8,880,895
Professional foster parenting	6,472,371	-	-	6,472,371	6,120,448
Independent living/transitional living	5,505,569	-	-	5,505,569	5,713,816
UCAN academy	3,506,580	-	-	3,506,580	3,549,436
Youth development/prevention/other	2,578,455	-	-	2,578,455	2,611,091
Housing support services	2,353,800	-	-	2,353,800	1,935,425
Clinical and counseling services	511,246	-	-	511,246	463,753
Teen parenting services network	3,723,992	-	-	3,723,992	4,004,616
Family-based services	110,784	-	-	110,784	84,326
Volunteer program	657,139	-	-	657,139	702,723
	34,442,174	-	-	34,442,174	34,066,529
Support services:					
Development	831,998	-	-	831,998	857,796
Other support services	1,518,216	-	-	1,518,216	1,138,625
Management and general	4,247,878	-	-	4,247,878	3,976,097
	6,598,092	-	-	6,598,092	5,972,518
	41,040,266	-	-	41,040,266	40,039,047

UCAN and Affiliates

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Net changes in net assets before other item	$ 10,707,048	$ (10,460,203)	$ 846,877	$ 1,093,722	$ 680,616
Other item:					
Defined benefit plan adjustment	610,898	-	-	610,898	(640,977)
Net changes in net assets	11,317,946	(10,460,203)	846,877	1,704,620	39,639
Net assets:					
Beginning of year	14,956,844	11,892,692	10,794,310	37,643,846	37,604,207
End of year	$ 26,274,790	$ 1,432,489	$ 11,641,187	$ 39,348,466	$ 37,643,846

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Program Services								
	Therapeutic Youth Home	Professional Foster Parenting	Independent Living/ Transitional Living	UCAN Academy	Youth Development Prevention/ Other	Housing Support Services	Clinical Counseling Services	Teen Parenting Services Network	Family - Based Services
Salaries and wages	$ 5,412,303	$ 2,302,354	$ 2,881,754	$ 2,136,814	$ 1,735,982	$ 1,457,253	$ 365,022	$ 1,869,321	$ 71,626
Employee health and retirement	544,377	214,543	283,747	195,354	112,046	133,215	29,396	159,913	6,393
Payroll taxes and other employee benefits	586,641	244,865	317,170	216,286	189,473	147,304	36,465	187,548	7,237
	6,543,321	2,761,762	3,482,671	2,548,454	2,037,501	1,737,772	430,883	2,216,782	85,256
Program consultants/contractual	130,080	436,714	75,029	261,951	150,730	251,895	6,444	793,131	99
Training and staff development	21,312	12,552	12,747	20,232	43,613	12,469	4,000	19,409	466
Program supplies	307,884	25,520	107,596	133,020	29,710	11,730	5,427	24,706	167
Recreation activity	50,306	48,304	15,582	3,210	9,093	1,793	1,320	1,947	-
Tuition and school fees	470	6,695	5,642	-	-	-	-	-	-
Specific assistance	118,998	1,662,712	965,832	-	99,088	16,529	489	246,714	142
Rental of equipment, buildings and vehicles	-	646,541	-	-	30,010	44,635	-	-	9,434
Local transportation	20,633	315,061	220,230	4,762	38,342	100,051	22,472	85,346	4,497
Interest	201,100	17,368	43,326	89,097	3,830	2,751	618	7,000	104
Occupancy	773,131	311,869	291,438	199,455	25,491	40,761	11,148	106,598	5,190
Office and computer supplies	6,660	12,559	8,507	6,144	5,805	25,324	1,468	14,097	775
Telephone	28,885	33,344	45,734	8,592	21,416	28,250	4,407	30,640	734
Postage	2,377	6,879	5,344	1,221	1,193	3,016	478	4,206	984
Printing and publication	473	597	400	-	(1,610)	2,141	1,238	4,355	47
Membership dues	360	-	-	-	-	274	-	123	-
Subscription and reference material	42	-	38	-	(50)	-	-	1,231	-
Bad debt expense	-	-	-	-	-	-	-	-	-
Insurance	39,158	16,030	21,571	12,985	12,986	8,850	2,060	10,759	416
Gifts in-kind	-	-	-	-	180	-	-	-	-
Miscellaneous	33,868	29,764	(12,012)	10,009	11,127	6,487	907	20,329	213
	8,279,058	6,344,271	5,289,675	3,299,132	2,518,455	2,294,728	493,359	3,587,373	108,524
Depreciation	743,180	128,100	215,894	207,448	60,000	59,072	17,887	136,619	2,260
	$ 9,022,238	$ 6,472,371	$ 5,505,569	$ 3,506,580	$ 2,578,455	$ 2,353,800	$ 511,246	$ 3,723,992	$ 110,784

UCAN and Affiliates

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2017 (With Comparative Totals for 2016)

			Support Services					
	Volunteer Program	Total Program Services	Development	Other Support Services	Management and General	Total Support Services	Total 2017	Total 2016
Salaries and wages	$ 107,569	$ 18,339,998	$ 432,914	$ 169,027	$ 2,249,677	$ 2,851,618	$ 21,191,616	$ 21,392,073
Employee health and retirement	4,970	1,683,954	22,315	186,094	137,371	345,780	2,029,734	1,809,388
Payroll taxes and other employee benefits	11,222	1,944,211	34,899	11,830	203,784	250,513	2,194,724	2,126,969
	123,761	21,968,163	490,128	366,951	2,590,832	3,447,911	25,416,074	25,328,430
Program consultants/contractual	160	2,106,233	77,658	213,440	316,789	607,887	2,714,120	2,606,260
Training and staff development	725	147,525	1,897	2,470	12,172	16,539	164,064	172,034
Program supplies	759	646,519	7,637	277	12,838	20,752	667,271	678,468
Recreation activity	-	131,555	1,250	1,376	150	2,776	134,331	136,860
Tuition and school fees	-	12,807	-	-	-	-	12,807	13,640
Specific assistance	340,362	3,450,866	-	-	-	-	3,450,866	3,443,560
Rental of equipment, buildings and vehicles	-	730,620	-	-	-	-	730,620	648,670
Local transportation	99,845	911,239	3,562	6,379	7,175	17,116	928,355	947,157
Interest	469	365,663	420	135,683	40,143	176,246	541,909	299,436
Occupancy	3,103	1,768,184	19,482	40,645	508,852	568,979	2,337,163	2,182,104
Office and computer supplies	303	81,642	13,487	68	46,635	60,190	141,832	166,277
Telephone	599	202,601	3,002	2,843	217,931	223,776	426,377	470,291
Postage	86	25,784	2,219	-	16,311	18,530	44,314	42,346
Printing and publication	134	7,775	21,707	3,326	10,049	35,082	42,857	30,705
Membership dues	25	782	405	13,310	14,813	28,528	29,310	51,398
Subscription and reference material	-	1,261	906	-	2,083	2,989	4,250	3,922
Bad debt expense	-	-	143,248	133,859	-	277,107	277,107	164,558
Insurance	674	125,489	3,113	350	100,306	103,769	229,258	241,408
Gifts in-kind	75,613	75,793	-	324,478	-	324,478	400,271	455,622
Miscellaneous	6,062	106,754	15,619	256,627	78,463	350,709	457,463	216,307
	652,680	32,867,255	805,740	1,502,082	3,975,542	6,283,364	39,150,619	38,299,453
Depreciation	4,459	1,574,919	26,258	16,134	272,336	314,728	1,889,647	1,739,594
	$ 657,139	$ 34,442,174	$ 831,998	$ 1,518,216	$ 4,247,878	$ 6,598,092	$ 41,040,266	$ 40,039,047

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Program Services								
	Therapeutic Youth Home	Professional Foster Parenting	Independent Living/ Transitional Living	UCAN Academy	Youth Development Prevention/ Other	Housing Support Services	Clinical Counseling Services	Teen Parenting Services Network	Family - Based Services
Salaries and wages	$ 5,412,303	$ 2,302,354	$ 2,881,754	$ 2,136,814	$ 1,735,982	$ 1,457,253	$ 365,022	$ 1,869,321	$ 71,626
Employee health and retirement	544,377	214,543	283,747	195,354	112,046	133,215	29,396	159,913	6,393
Payroll taxes and other employee benefits	586,641	244,865	317,170	216,286	189,473	147,304	36,465	187,548	7,237
	6,543,321	2,761,762	3,482,671	2,548,454	2,037,501	1,737,772	430,883	2,216,782	85,256
Program consultants/contractual	130,080	436,714	75,029	261,951	150,730	251,895	6,444	793,131	99
Training and staff development	21,312	12,552	12,747	20,232	43,613	12,469	4,000	19,409	466
Program supplies	307,884	25,520	107,596	133,020	29,710	11,730	5,427	24,706	167
Recreation activity	50,306	48,304	15,582	3,210	9,093	1,793	1,320	1,947	-
Tuition and school fees	470	6,695	5,642	-	-	-	-	-	-
Specific assistance	118,998	1,662,712	965,832	-	99,088	16,529	489	246,714	142
Rental of equipment, buildings and vehicles	-	646,541	-	-	30,010	44,635	-	-	9,434
Local transportation	20,633	315,061	220,230	4,762	38,342	100,051	22,472	85,346	4,497
Interest	201,100	17,368	43,326	89,097	3,830	2,751	618	7,000	104
Occupancy	773,131	311,869	291,438	199,455	25,491	40,761	11,148	106,598	5,190
Office and computer supplies	6,660	12,559	8,507	6,144	5,805	25,324	1,468	14,097	775
Telephone	28,885	33,344	45,734	8,592	21,416	28,250	4,407	30,640	734
Postage	2,377	6,879	5,344	1,221	1,193	3,016	478	4,206	984
Printing and publication	473	597	400	-	(1,610)	2,141	1,238	4,355	47
Membership dues	360	-	-	-	-	274	-	123	-
Subscription and reference material	42	-	38	-	(50)	-	-	1,231	-
Bad debt expense	-	-	-	-	-	-	-	-	-
Insurance	39,158	16,030	21,571	12,985	12,986	8,850	2,060	10,759	416
Gifts in-kind	-	-	-	-	180	-	-	-	-
Miscellaneous	33,868	29,764	(12,012)	10,009	11,127	6,487	907	20,329	213
	8,279,058	6,344,271	5,289,675	3,299,132	2,518,455	2,294,728	493,359	3,587,373	108,524
Depreciation	743,180	128,100	215,894	207,448	60,000	59,072	17,887	136,619	2,260
	$ 9,022,238	$ 6,472,371	$ 5,505,569	$ 3,506,580	$ 2,578,455	$ 2,353,800	$ 511,246	$ 3,723,992	$ 110,784

UCAN and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Net changes in net assets	**$ 1,704,620**	$ 39,639
Provision for bad debts	**277,107**	164,558
Depreciation	**1,900,945**	1,739,594
Net gain on disposal of institutional properties	**(1,535,749)**	(3,723,731)
Amortization of deferred financing costs	**287,442**	277,199
Net realized/unrealized (gain) loss on investment securities	**(701,342)**	269,702
Unrealized (gain) loss on beneficial interest in trusts	**(846,877)**	1,087,740
Defined benefit plan adjustment	**(610,898)**	640,977
Changes in:		
Receivables	**406,303**	(1,062,257)
Due from UTHC2	**-**	97,763
Prepaid expenses and other current assets	**93,162**	24,233
Accounts payable, construction payable and accrued expenses	**(3,575,557)**	274,688
Accrued pension contribution and deferred compensation	**80,414**	13,352
Deferred revenue	**18,612**	(9,970)
Net cash used in operating activities	**(2,501,818)**	(166,513)
Cash flows from investing activities:		
Proceeds from sales of investment securities	**11,102,889**	1,809,211
Purchases of investment securities	**(11,313,870)**	-
Proceeds from sales of institutional properties	**2,167,080**	-
Purchases of institutional properties	**(1,324,906)**	(11,372,337)
Cash paid in exchange for NMTC leveraged loans receivable	**-**	(5,846,160)
Net cash provided by (used in) investing activities	**631,193**	(15,409,286)
Cash flows from financing activities:		
Net (repayments) borrowings on operating line of credit	**(523,663)**	1,532,820
Net (repayments) borrowings on construction line of credit	**(22,964)**	647,378
Change in cash in restricted construction account	**4,146,673**	(1,221,453)
Change in cash in NMTC fee reserve cash account	**124,326**	(247,100)
Repayment of notes payable	**(235,125)**	(321,756)
Redemption of bond payable	**-**	(270,000)
Proceeds from Mozart bridge loan	**-**	1,500,000
Repayment of Mozart bridge loan	**(781,657)**	(4,091,343)
Proceeds from issuance of NMTC notes payable	**-**	11,720,000
Proceeds from issuance of Federal Home Loan Bank note	**-**	1,288,931
Proceeds from issuance of construction term loan	**67,992**	1,203,914
Proceeds from issuance of TIF bridge loan	**-**	2,500,000
Repayment of TIF bridge loan	**(500,000)**	-
Increase in deferred financing costs	**(23,341)**	(624,207)
Net cash provided by financing activities	**2,252,241**	13,617,184
Increase (decrease) in cash and cash equivalents	**381,616**	(1,958,615)
Cash and cash equivalents:		
Beginning of year	**173,094**	2,131,709
End of year	**$ 554,710**	$ 173,094
Supplemental disclosure of cash flow information:		
Interest paid	**$ 520,840**	$ 241,612
Supplemental schedule of noncash investing activities:		
Institutional properties included in accounts payable, construction payable and accrued expenses	**$ -**	$ 3,939,380

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

UCAN is a not-for-profit human services organization supported financially by government funding, foundations, and private contributions. UCAN offers a range of human services to children and families in the areas of child welfare, counseling, teen parenting, education, youth development and public housing. Referrals and funding come primarily from the Illinois Department of Children and Family Services (DCFS), the Chicago Board of Education, the Chicago Housing Authority and the Chicago Department of Family and Support Services. UCAN received approximately 75 percent of its revenue from DCFS during 2017. Accounts receivable from DCFS comprised approximately 70 percent of UCAN's total accounts receivable balances as of June 30, 2017.

UCAN established UCAN Title Holding Company (UTHC) and UCAN Title Holding Company II (UTHC II), affiliated Illinois not-for-profit corporations which are exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code (IRC) and applicable state law. UCAN is the sole voting member of UTHC and UTHC II, which hold title to UCAN's new campus located at 3640 and 3605 West Fillmore St. in Chicago, Illinois. UTHC and UTHC II were formed to facilitate New Markets Tax Credit (NMTC) transactions for the New Campus project construction. Throughout the remainder of these notes the term UCAN will refer to UCAN, UTHC and UTHC II, collectively, unless otherwise indicated.

Principles of consolidation: The consolidated financial statements include the accounts of UCAN and its affiliates, UTHC and UTHC II. Any significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation: UCAN prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when obligations are incurred.

For financial reporting purposes, UCAN's net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those net assets that are not subject to donor-imposed stipulations. Permanently restricted net assets have been restricted by donors to be maintained by UCAN in perpetuity. Temporarily restricted net assets are those whose use by UCAN has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met or have expired.

Comparative statements: The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UCAN's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash: Cash includes cash on hand and demand deposits with banks. UCAN maintains its cash at bank accounts which, at times, may exceed federally insured limits. UCAN has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable: Accounts receivable primarily consist of amounts due from the Illinois Department of Children and Family Services, the Chicago Board of Education, the Chicago Housing Authority and the Chicago Department of Human Services for program services provided. Accounts receivable are net of an allowance for doubtful accounts, determined based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed to be worthless.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments are presented in the consolidated financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investment and dividend income and realized and unrealized gains (losses) are reflected in the consolidated statement of activities. Investments received as contributions are recorded at fair value at the date of receipt. UCAN's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect UCAN's consolidated financial statements.

Cash in restricted construction account: Unspent cash from the NMTC transactions is reflected as restricted cash on the consolidated statement of financial position. Its use is restricted to the New Campus Project and the disbursements are subject to a blocked account agreement.

Institutional properties: Institutional properties are carried at cost and are depreciated over the estimated useful lives of the assets utilizing the straight-line method. Leasehold improvements are depreciated over the lesser of the useful life of the asset or the lease term. Upon sale or retirement of institutional properties, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is allocated among program and supporting services in the consolidated statement of activities. Construction in progress includes the costs incurred for construction including retainage fees and capitalized interest.

Asset impairment: UCAN reviews the recoverability of long-lived assets when circumstances indicate that the carrying amount may not be recoverable. The carrying amount of assets held and used is generally not recoverable if it exceeds the undiscounted sum of cash flows expected to result from the use and eventual disposition of the asset, or for assets held for sale if it exceeds market value. If UCAN identifies impairment for long-lived assets to be held and used, UCAN compares the assets' current carrying value to the assets' fair value. Fair value is based on current market values or discounted future cash flows. UCAN records impairment when the carrying value exceeds fair market value. There were no impairment indicators during the year ended June 30, 2017.

Deferred financing costs: Fees paid in connection with notes payable and fees paid relating to financings for the NMTC transaction have been capitalized as deferred financing costs and are being amortized using the straight-line method (which approximates the interest method) over the term of the bonds and over the seven year NMTC compliance period, respectively. Unamortized deferred financing costs of $1,016,742 and $1,280,843 are net of accumulated amortization of $1,054,339 and $766,847 at June 30, 2017 and 2016, respectively. Amortization expense was $287,442 and $277,199 for fiscal years 2017 and 2016, respectively, and is included in interest expense on the statement of functional expenses. UCAN adopted Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which was effective for UCAN in fiscal year 2017 with retrospective application to fiscal year 2016. As a result of adopting this ASU, these costs have been reclassified from prepaid expenses and other assets to a reduction of the related debt on the consolidated statement of financial position. This statement did not have any impact on UCAN's consolidated statements of activities or cash flows for the years ended June 30, 2017 and 2016.

NMTC restricted fee reserve cash account: Certain NMTC fees payable over the 7-year compliance period were required to be deposited into an account subject to a blocked account agreement. See Note 12.

Deferred revenue: Income from government grants is recognized over the periods to which the income relates and as services are provided, and remaining amounts are reflected as deferred revenue.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition: Contributions received, including unconditional promises and noncash assets, are recognized as revenue when the donor's commitment is made. All contributions are recorded at their fair value. Unconditional promises are recognized at the present value of the estimated future cash flows, net of allowances, which are determined based on historical experience and analysis of specific promises. Unconditional promises to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contributions in accordance with donor-imposed restrictions, if any. Conditional promises are recognized when donor stipulations are substantially met. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. This includes donor-restricted contributions whose restrictions are met within the same year the contribution is received.

Donated materials and other noncash donations are recorded as contributions at their estimated fair values on the date received. Many individuals volunteer their time and perform a variety of tasks that assist UCAN with its programs and administration, but these donated services are not reflected in the consolidated financial statements because they do not meet the requirements for inclusion. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. UCAN reports such contributions at their estimated fair value when received. For the year ended June 30, 2017, UCAN recorded in-kind contribution revenue of $400,091 consisting of legal, training services, food, travel and miscellaneous supplies.

Bequests from estates are generally recognized when received, which is after the probate court declares the will valid. Grants are recognized when earned, which is generally when qualifying expenses have been incurred and all other grant requirements have been met.

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.

Income tax status: UCAN is exempt from income taxes under Section 501(c)(3) of the IRC and applicable state law, except for taxes pertaining to unrelated business income, if any. UTHC and UTHC II were organized and incorporated in Illinois as not-for-profit organizations in May 2013 and February 2014, respectively. UTHC and UTHC II have received a favorable determination letter from the Internal Revenue Service stating that they are exempt from income taxes under the provisions of Section 501(c)(2) of the IRC of 1986, as amended, except for income taxes, if any, pertaining to unrelated business income.

UCAN follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, UCAN 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 UCAN and various positions related to the potential sources of unrelated business taxable income. There were no uncertain tax positions identified or recorded as assets or liabilities during the reporting period covered by these consolidated financial statements.

UCAN files Forms 990 in the U.S. federal jurisdiction and the State of Illinois. UCAN is generally no longer subject to examination by the Internal Revenue Service for the fiscal years before 2014. UTHC and UTHC II will file Form 990 in the U.S. federal jurisdiction and the State of Illinois each fiscal year.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Current and pending accounting pronouncements: In May 2014, the Financial Accounting Standards Board (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. The updated standard will be effective for UCAN's June 30, 2020 consolidated financial statements.

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 statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for UCAN for its fiscal year ending June 30, 2021.

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 is effective for UCAN in the fiscal year ending June 30, 2019, early adoption is allowed.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Benefit Cost.* The amendments in this ASU require that the service cost component of net benefit cost be presented on the statement of activities in the same line item(s) as other compensation costs for services rendered during the period. All remaining components of net benefit cost must be reported outside the subtotal for income from operations. The new standard will be effective for UCAN's 2020 consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The ASU requires that the statement of cash flows explain the change during the period of total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The new standard is effective for UCAN for its fiscal year ending June 30, 2020, with early adoption permitted.

UCAN is currently evaluating the impact on its consolidated financial statements of implementing the pending ASUs.

Reclassification: Certain items on the 2016 consolidated financial statements have been reclassified to conform to current year presentation. These reclassifications have no effect on the 2016 net assets or change in net assets as previously reported.

Subsequent events: UCAN has evaluated subsequent events for potential recognition and/or disclosure through March 9, 2018, the date the consolidated financial statements were available to be issued.

Note 2. Pledges Receivable

Pledges receivable are summarized as follows at June 30, 2017:

Unconditional promises expected to be collected in:		
Less than one year	$	1,446,714
One to five years		1,088,920
		2,535,634
Less: Unamortized discount at 3%		(53,504)
Less: Allowance for uncollectibles		(192,824)
	$	2,289,306

Net pledges receivable are presented in the consolidated statement of financial position at June 30, 2017:

Current	$	1,286,024
Long-term		1,003,282
	$	2,289,306

Note 3. Fair Value Measurements

UCAN follows the accounting guidance on fair value measurements and disclosure, which 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 and sets out a 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 this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. 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.

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 lowest level of input that is significant to the fair value measurement. UCAN'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. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments. For the fiscal year ended June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in the previous years.

Note 3. Fair Value Measurements (Continued)

Transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with UCAN's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the year ended June 30, 2017, there were no such transfers.

Investments securities: The fair value of publically traded equity and fixed income mutual funds is based upon market quotations of national security exchanges and is categorized as Level 1 in the fair value hierarchy.

Beneficial interest in trusts: The fair value of UCAN's beneficial interest in trusts was provided by the respective trustees. UCAN's beneficial interest is classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity-specific estimates of cash flows). Since UCAN has an irrevocable right to receive the income earned from the trusts' assets, the fair value of UCAN's beneficial interest is estimated to approximate the fair value of the trusts' assets.

The following table summarizes UCAN's investments accounted for at fair value using the fair value hierarchy as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market	$ 8,855,151	$ -	$ -	$ 8,855,151
U.S. government reserves fund	30,420	-	-	30,420
Equity mutual funds:				
U.S. equity index	354,904	-	-	354,904
Large growth	197,399	-	-	197,399
International	550,296	-	-	550,296
Fixed income mutual fund*	449	-	-	449
Beneficial interest in trusts	-	-	11,291,913	11,291,913
	$ 9,988,619	$ -	$ 11,291,913	$ 21,280,532

*Based on the nature and risks, UCAN has determined that presenting as a single class is appropriate, as the fixed income fund invests in multiple categories of U.S. and Foreign government and agency bonds, U.S. and Foreign corporate bonds and mortgage-backed securities.

Financial instruments classified as Level 3 in the fair value hierarchy represent UCAN's investments in financial instruments in which UCAN has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments:

	Beneficial Interest in Trusts
Balance, July 1, 2016	$ 10,445,036
Unrealized gains on beneficial interest in trusts	846,877
Balance, June 30, 2017	$ 11,291,913

Note 4. NMTC Leveraged Loans Receivable

In 2014, UCAN made leveraged loans to two qualified equity investment funds (QEIs) linked to UCAN's financing obtained through the NMTC program (Note 12). In 2015, UCAN made additional leveraged loans to two QEIs.

The loans accrue interest at a fixed rate, with interest-only payable quarterly at rates ranging from 1 percent to 1.49 percent over the first seven years (Compliance Period); quarterly principal and interest (stated rate) payments are then required through 2045.

Notes receivable at June 30, 2017, are as follows:

UCAN USB Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through April 2021, and then principal and interest payments of $98,036 are due quarterly through maturity in 2044.	$ 2,012,100
UCAN Investment Fund, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through April 2021, and then principal and interest payments of $744,000 are due quarterly through maturity in 2044.	13,448,800
USBCDC Investment Fund 142, LLC with interest accruing at an annual rate of 1.07%; 1.07% interest-only bi-annual payments are due through August 2022, and then principal and interest payments of $221,195 are due bi-annually through maturity in 2045.	4,501,360
USBCDC Investment Fund 142, LLC with interest accruing at an annual rate of 1.49%; 1.49% interest-only bi-annual payments are due through October 2022, and then principal and interest payments of $69,252 are due bi-annually through maturity in 2045.	1,344,800
	$ 21,307,060

After the Compliance Period, there are put and call agreements between UCAN and the investor in the QEI funds. It is anticipated that the NMTC investor will put their option and UCAN will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. This action will essentially result in forgiveness of these loans as well as extinguishment of UCAN's debt described in Note 12. Interest income was $247,150 for the year ended June 30, 2017.

In order to fund the loans maturing in 2044, UCAN acquired a bridge loan for the sale of its Mozart Campus for $3,373,000 (Note 13), drew $1,352,622 (Note 9) on a new line of credit and paid $10,735,278 in cash on hand (including $3,226,340 in lender reimbursements as a result of the NMTC transaction).

In order to fund the loans maturing in 2045, UCAN borrowed an additional $1,500,000 on its Mozart bridge loan for the sale of its Mozart Campus (Note 13), provided $1,179,227 in land and construction in progress and paid $3,995,933 in cash on hand (including $3,334,800 in borrowings from its investments).

Note 5. Lease Commitments

UCAN has four property operating lease agreements, which expire at various dates through June 2021. The total future minimum payments under the leases are as follows:

2018	$ 559,000
2019	456,000
2020	442,000
2021	14,000
	$ 1,471,000

UCAN's total lease expense related to all properties was approximately $251,000 for the year ended June 30, 2017.

Note 6. Beneficial Interest in Trusts

Beneficial interest in trusts is comprised of nine separate trusts. UCAN is the perpetual beneficiary of, or receives a portion of, the annual net income from the trusts' principal. The fair value of the beneficial interest in trust assets was $11,291,913 at June 30, 2017, and represents the UCAN proportionate interest in the value of the trusts. The fair value of the trusts was provided by the trustees. Funds received by UCAN from trusts totaled $594,295 for the year ended June 30, 2017.

Note 7. Retirement Plan Benefits

UCAN has a contributory defined contribution pension plan for all employees who have completed one year of service, as defined by the plan document. At the end of each fiscal year, UCAN determines the amount to be contributed to the plan. No employer contributions were made for 2017.

A deferred compensation plan exists for UCAN's former CEO that provides a $2,000 monthly payment for 120 consecutive months, which began after his 65th birthday. The present value of this obligation at June 30, 2017, was $100,887 and has been recorded as a current liability of $24,000 and a non-current liability of $76,887.

Note 8. Employee Pension Plan

FamilyCare of Illinois (FCI) (a 501(c)(3) not-for-profit that merged with UCAN) previously established a defined benefit plan which was assumed by UCAN when FCI merged with UCAN on November 1, 2004. Effective August 21, 2004, FCI froze the plan for future benefit accruals. No further benefits will accrue under the plan after this date. This action will not affect benefits accrued prior to August 21, 2004, or participants' vesting in benefits accrued prior to that date.

UCAN follows the provisions of the accounting guidance for employer's accounting for defined benefit pension and other postretirement plans. The provisions of this guidance require employers to recognize the overfunded or underfunded positions (the difference between the costs funded to date and the benefit obligation) of postretirement plans as an asset or liability in the consolidated statement of financial position and to recognize changes in that funded status in changes in unrestricted net assets in the year in which the changes occur.

Note 8. Employee Pension Plan (Continued)

Aggregate accumulated plan benefits and projected benefit obligations attributable to UCAN, as estimated by consulting actuaries, and plan net assets and funded status as of June 30, 2017 (the most recent valuation date), were as follows:

Plan assets, at fair value	$ 3,037,693
Projected benefit obligation	(4,214,320)
Plan assets less than benefit obligation	$ (1,176,627)
Amounts recognized in the consolidated statement of financial position	$ (1,176,627)
Accumulated benefit obligation	$ 4,214,320
Unrecognized actuarial loss not yet recognized in net periodic pension cost, but included as a separate component of unrestricted net assets at June 30, 2017	$ 1,171,456

The pension benefit (recorded in other changes to net assets) and other required disclosures are as follows:

Employer contribution	$ 2,131
Benefits paid	$ 262,335
Net periodic pension cost	$ 100,545
Other amounts recognized in unrestricted net assets:	
Net actuarial loss reclassified from unrestricted net assets to net periodic pension cost	$ 133,910
Current year net gain	476,988
Total gain recognized in unrestricted net assets	$ 610,898

It is estimated that $76,067 of net actuarial loss will be recognized as a component of net periodic pension cost for the year ending June 30, 2018.

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2017, and the net periodic pension cost for the year ended June 30, 2017. These rates were selected based upon current market conditions, UCAN's experience and future expectations.

	Pension Obligation	Net Periodic Pension Cost
Discount rate	3.87%	3.61%
Expected rate of return on plan assets	7.00%	7.00%
Rate of increase in future compensation	N/A	N/A

UCAN determines the long-term expected rate of return on plan assets by examining historical capital market returns, correlations between asset classes, and the plan’s normal asset allocation. Current and near-term market factors, such as inflation and interest rates, are then evaluated to arrive at the expected return on plan assets.

Note 8. Employee Pension Plan (Continued)

The pension plan's investments are presented at fair value in accordance with accounting principles generally accepted in the United States of America. Investments in money market funds, equity mutual funds and fixed income mutual funds are traded on a national securities exchange, or reported on the NASDAQ national market, and are stated at the last reported sales price on the day of valuation.

At June 30, 2017, plan assets were comprised of approximately 76 percent equity mutual funds and 24 percent fixed income mutual funds. The plan targets the asset mix to be 70 percent equity funds and 30 percent bond funds. As determined by UCAN's actuary, the estimated contribution to the plan for fiscal year 2018 is $90,917.

The following table presents UCAN's pension plan's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2017.

	Level 1	Level 2	Level 3	Total
Money market	$ 6	$ -	$ -	$ 6
Equity mutual funds:				
Large blend	1,447,396	-	-	1,447,396
International	701,260	-	-	701,260
Small growth	162,224	-	-	162,224
Fixed income mutual funds:				
Intermediate-term	726,807	-	-	726,807
	$ 3,037,693	$ -	$ -	$ 3,037,693

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

2018	$ 222,182
2019	246,513
2020	250,736
2021	255,942
2022	255,324
2023-2027	1,351,019

Note 9. Line of Credit

UCAN maintains a loan agreement with US Bank which provides a $3,750,000 revolving line of credit facility, payable on demand, which expires April 2018. Under the terms of this agreement, these borrowings bear interest at either 1 month LIBOR plus 1.25 percent (2.50 percent at June 30, 2017) or at a Base Rate plus 1 percent (Base Rate is defined as the greater of Prime or the Federal Funds rate plus 2 percent), at the borrower's option. Borrowings under the line of credit facility are collateralized by certain "eligible accounts" receivable, as defined. UCAN had $1,430,513 outstanding under this line of credit on June 30, 2017. The line of credit agreement contains a provision that UCAN maintain a debt service ratio of 1.15 to 1.

Note 10. Bonds Payable

A summary of bonds payable at June 30, 2017, is as follows:

2002 Variable Rate Demand Reserve Bonds (average interest rate of 0.69% during 2017) principal fully due in 2033	$	4,000,000
2006 Adjustable Rate Demand Reserve Bonds (average interest rate of 0.69% during 2017) principal fully due in 2036		4,335,000
		8,335,000
Less deferred financing costs, net of amortization		(164,106)
	$	8,170,894

In September 2002, UCAN entered into a loan agreement with the Illinois Development Finance Authority to issue $5,600,000 in Adjustable Demand Revenue Bonds (2002 Bonds) due October 1, 2033. The 2002 obligation is credit enhanced by a direct pay letter of credit of $4,038,356 which expires in November 2020. The bonds bear interest at a variable rate, which is determined weekly. In February 2014, $1,600,000 of this issuance was redeemed pursuant to entering into a contract to sell a portion of the real estate it financed.

In May 2006, UCAN entered into a loan agreement with the Illinois Finance Authority to issue $6,000,000 in Adjustable Rate Demand Reserve Bonds (2006 Bonds) due May 1, 2036. Proceeds from the bonds were used to refinance three notes payable, acquire and renovate office space, acquire and renovate program-related residential properties, and to purchase capital equipment. Principal payments and application of the proceeds of the sale of a building have reduced the bonds outstanding to $4,335,000. The remaining 2006 obligation is credit enhanced by a direct pay letter of credit of $4,376,568 which expires in November 2020. The bonds bear interest at an adjustable rate which is determined weekly and is payable on the first business day of each month. The 2006 bonds are collateralized by mortgages on all properties purchased or refinanced using bond proceeds.

US Bank provides direct pay credit enhancement letters of credit for the bonds. Significant performance covenants under the US Bank agreements include a debt service coverage ratio, calculated quarterly, of 1.15 to 1.0, as defined, and an unrestricted and temporarily restricted cash and investments requirement of at least $8,605,000 measured at each June 30th and December 31st. Furthermore, UCAN cannot incur capital expenditures in excess of $900,000 during any fiscal year without the prior written consent of US Bank. These covenants pertain to both the 2002 and the 2006 series of bonds and the line of credit discussed in Note 9.

Note 11. Notes Payable

Notes payable consist of the following at June 30, 2017:

Term note payable to US Bank in monthly installments $2,039, plus interest at Monthly LIBOR plus 1%, due in 2019, secured by residential buildings	$	285,412
Less deferred financing costs, net of amortization		(12,761)
	$	272,651

Note 11. Notes Payable (Continued)

Scheduled future principal payments on the notes are as follows:

2018	$ 24,464
2019	24,464
2020	236,484
	$ 285,412

Note 12. NMTC Notes Payable

In 2014, UTHC obtained financing in an arrangement structured under the NMTC program. This program, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, permits individual and corporate taxpayers to receive a credit against federal income taxes for making a quality equity investment (QEI) in qualified community development entities (CDEs). The CDEs used substantially all of each QEI to make qualified low-income community investment (QLICI) loans on favorable terms to UTHC as a qualified active low-income community business (QALICB).

These loans made to UTHC by the CDEs in 2014, and outstanding at June 30, 2017, were as follows:

USBCDE SUB-CDE 107, LLC Note A	$ 2,012,100
USBCDE SUB-CDE 107, LLC Note B	987,900
VAF Sub-CDE XXVIII, LLC Note A	3,529,948
VAF Sub-CDE XXVIII, LLC Note B	1,420,052
NCIF New Markets Capital Fund XVCDE, LLC Note A	4,906,926
NCIF New Markets Capital Fund XVCDE, LLC Note B	1,883,074
SCORE Sub-CDE 1, LLC Note A	5,011,926
SCORE Sub-CDE 1, LLC Note B	1,848,074
	$ 21,600,000

These loans made to UTHC II by the CDEs in 2015, and outstanding at June 30, 2017, were as follows:

USBCDC, LLC Note A	$ 900,000
USBCDC, LLC Note B	2,000,000
CDF Note A	4,501,360
CDF Note A	4,318,640
	11,720,000
Less deferred financing costs, net of amortization	(675,291)
Total NMTC notes payable	$ 32,644,709

UTHC and UTHC II used some proceeds from the loans to purchase certain assets from UCAN and to construct the North Lawndale Campus (Note 18).

UTHC loans have a maturity date of April 30, 2044. UTHC II loans have a maturity date of August 4 and October 7, 2045. Applicable interest rates range between 0.67 percent and 1.49 percent simple interest.

Note 12. NMTC Notes Payable (Continued)

Quarterly interest payments commenced June 10, 2015, for UTHC and June 10, 2016 for UTHC II. Interest capitalized was $0 for UTHC I and $3,979 for UTHC II, respectively, for the year ended June 30, 2017.

The first seven years of the notes are defined as the Compliance Period. Only interest is paid during the Compliance Period. Thereafter, the loans are amortized with principal and interest payments required through the maturity dates in 2044 and 2045. The loans can be repaid any time after the Compliance Period.

There are put and call agreements between UTHC and UTHC II and the respective investor in the QEI funds (which has ownership interest in the CDEs making the loans above). If the investor does not exercise their put option, UTHC and UTHC II have the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investor will put their option and UTHC will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. By acquiring the ownership interests, UTHC and UTHC II will be in a position whereby it can forgive the NMTC notes payable, resulting in a substantial reduction in outstanding debt at that point in time and recognition of the benefits from the NMTC program (in turn, it is expected that UTHC and UTHC II would forgive the NMTC notes receivable).

The loans are collateralized by essentially all UTHC and UTHC II property and equipment. UTHC and UCAN have also made an unconditional guaranty to an equity investor in the event of a recapture or disallowance of the NMTC. The guaranteed amount is the sum of the tax credits plus an amount sufficient to pay any additional federal tax liability, interest and penalties resulting from the recapture event and return to the investor. The loan agreement restricts additional UTHC indebtedness, without prior approval, and requires UTHC and UTHC II to establish a reserve account for payment of certain annual fees. The reserve escrow balance was $181,611 for UTHC I and $213,774 for UTHC II at June 30, 2017.

Note 13. Mozart Bridge Loan

On April 15, 2014, UCAN received a bridge loan note payable in the amount of $3,373,000 from US Bank which matured on October 31, 2016. Under the terms of this agreement, these borrowings bore interest at either the prime rate plus 1 percent or at a rate based on a London Interbank Offered Rate (LIBOR), at the borrower's option. The note was collateralized by the Mozart Campus. Automatic prepayment of the loan was required upon sale of the Mozart Campus.

In July 2015, the note was amended to increase the note payable amount to $4,873,000 and UCAN borrowed an additional $1,500,000. On September 25, 2015, the California Avenue building and adjacent property was sold as a partial close on the Mozart campus, and UCAN paid $4,091,343 of the loan balance.

On August 31, 2016, the remaining buildings on Mozart Street were sold, completing sale of the Mozart campus, and the remaining loan balance of $781,657 was paid in full.

Note 14. Construction Term Loans

On April 15, 2014, UTHC secured a seven-year commercial term loan mortgage in the amount of $2,000,000 from Urban Partnership Bank. The note carries a fixed interest rate of 4.75 percent per annum. As of June 30, 2017, UTHC had borrowed $1,438,565 on this loan. The note is eligible for prepayment if certain conditions have been met. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home. Terms of the loan do not include any financial covenants ratio requirements.

Scheduled future principal payments on the note is as follows:

2018	$ 187,884
2019	187,884
2020	187,884
2021	187,884
2022	187,884
Thereafter	499,145
	1,438,565
Less deferred financing costs, net of amortization	(44,193)
	$ 1,394,372

UCAN also maintains a loan agreement with Urban Partnership Bank. The original $2,000,000 revolving line of credit facility was converted to a term note on March 31, 2017 which expires March 2027. Under the terms of this agreement, these borrowings bear interest at 4.75 percent until April 1, 2022 and after equal to the 5 Year LIBOR Swap Rate plus 325 basis points until expiration. UCAN had $1,977,036 outstanding on this loan on June 30, 2017. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home (see Note 16). This loan includes a Debt Service Coverage Ratio of 1.25 or better measured on an annual basis.

2018	$ 94,006
2019	98,634
2020	103,260
2021	108,575
2022	113,764
Thereafter	1,458,797
	1,977,036
Less deferred financing costs, net of amortization	(19,055)
	$ 1,957,981

Note 15. TIF Bridge Loan

On April 15, 2014, UCAN received a term loan note payable in the amount of $2,500,000 from MB Financial which matures on August 5, 2020. Under the terms of this agreement, these borrowings bear interest at LIBOR plus 3.15 percent (4.61 percent at June 30, 2017). The note is collateralized by $1,475,000 of UCAN's investments. Terms of the loan do not include any financial covenant ratio requirements. UCAN entered into a TIF Redevelopment Agreement with the City of Chicago Department of Planning & Development on July 10, 2015. On December 20, 2016, UCAN received the first $500,000 TIF distribution from the City of Chicago as outlined in the Redevelopment Agreement.

Scheduled future principal payments on the notes are as follows:

2018	$	500,000
2019		500,000
2020		500,000
2021		500,000
		2,000,000
Less deferred financing costs, net of amortization		(30,921)
	$	1,969,079

Note 16. Federal Home Loan Bank Note and Affordable Housing Grant

On June 18, 2015, UCAN was awarded an Affordable Housing Program Grant from the Federal Home Loan Bank of San Francisco for the Therapeutic Youth Home construction project. On March 17, 2016, UCAN entered into a Promissory Note and UTHC entered into a Subordinate Mortgage for the $1,288,931 in gross proceeds received under the grant. Related debt agreements are interest free and forgivable after a 15 year compliance retention period.

Note 17. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2017, are available for the following purposes:

John E. Rooney Scholarship Fund	$	228,405
Violence Prevention Funds		711,209
Boeing Peace Hub Initiative		105,291
Future Leaders Now		150,000
Youth Development		148,170
High-Risk Infants		62,618
Housing		452
Clinical Services		5,850
Other		20,494
	$	1,432,489

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time.

Note 17. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets at June 30, 2017, are restricted as follows:

Arthur C. Lueber Library Fund - income to be used for Children's Library	$ 14,388
Busch Grant & Aid & Klein Fund - income to be used for upper education for UCAN residents	18,500
Grace Claussen - Samuels Building	3,302
Perpetual trusts*	11,291,913
Other FamilyCare of Illinois net assets	313,084
	$ 11,641,187

*The income from perpetual trusts is unrestricted.

As of June 30, 2017, UCAN's endowments consist of donor-restricted funds, as described above, most of which are held by third-party trustees in perpetual trusts which UCAN does not control. The remaining endowment assets (Other Endowment Assets) are held and invested by UCAN as discussed below.

Interpretation of Relevant Law

The Board 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, UCAN classifies 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 was 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 UCAN in a manner consistent with the standard of prudence prescribed by UPMIFA.

The changes in endowment net assets were as follows for the year ended June 30, 2017:

	Permanently Restricted
Balance, July 1, 2016	$ 10,794,310
Investment return:	
Investment income	594,295
Net gain (realized and unrealized)	846,877
	1,441,172
Appropriation of endowment assets for expenditure	(594,295)
Balance, June 30, 2017	$ 11,641,187

Note 17. Temporarily and Permanently Restricted Net Assets (Continued)

Beneficial Interest in Trusts
$11,291,913 of the total June 30, 2017 endowment balance of $11,641,187 is held in trusts which are not controlled by UCAN. The income from the trusts is unrestricted. UCAN's spending policy related to the trusts is to utilize any income distributed for operating purposes.

Other Endowment Assets
The Other Endowment Assets of $349,274 at June 30, 2017, are controlled and invested by UCAN and are included within investments on the consolidated statement of financial position. UCAN manages these investments according to the same policies adopted by the Board of Directors for UCAN's investments. These policies attempt to provide a predictable stream of funding to programs supported by its investments while seeking to maintain the purchasing power of the investment assets. To satisfy its long-term rate-of-return objectives on investments, UCAN 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). UCAN targets a diversified asset allocation (approximately 70 percent equity and 30 percent fixed income) that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. In December 2016, UCAN temporarily changed the target allocation (approximately 10 percent equity and 90 percent fixed income) to reduce portfolio risk.

Over the long-term, the spending policy for UCAN's investments, including Other Endowment Assets, is to withdraw, on an annual basis, 3 percent of a 36-month moving average of the investment values, with a six-month set-back (i.e., the previous three December 31 values are averaged to determine the withdrawal for the fiscal year beginning July 1). Withdrawal percentage exceptions may be granted with Board approval. The objectives of the investment policy for investments, including Other Endowment Assets, are to meet any liquidity needs, grow the value of the corpus of the investments annually by at least the annual rate of inflation (CPI) for that year, and cause the real value of the investments to increase.

Note 18. UCAN's North Lawndale Campus

UCAN completed construction of the $39.5 million North Lawndale Campus with occupancy of the program services and headquarters building in July 2016. The Therapeutic Youth Home was completed and occupied in September 2015.

Construction was completed in two phases and two title holding companies were created, UTHC (Therapeutic Youth Home construction) and UTHC II (Program Services and Headquarters construction). Construction was funded through a combination of New Market Tax Credits, State of Illinois grants, City of Chicago Tax Increment Financing, Affordable Housing Program grant, private funding, bank bridge and term loans.

Note 19. Contingencies

UCAN is a party in certain legal proceedings and claims which have arisen in the ordinary course of its business. UCAN's management is of the opinion that the liabilities, if any, will not have a material effect on these consolidated financial statements or on UCAN's ability to continue its operations.

Supplementary Information

UCAN and Affiliates

Schedule of Institutional Properties
June 30, 2017

	Assets				
	Balance, June 30, 2016	Additions	Retirements	Transfers	Balance, June 30, 2017
Land	$ 735,732	$ -	$ (10,732)	$ -	$ 725,000
Land - New campus project	2,311,630	-	-	-	2,311,630
Land improvements	92,635	10,292	(31,896)	-	71,031
Buildings and improvements	10,522,858	88,544	(2,758,121)	10,273	7,863,554
Building - New campus project	23,410,768	689,239	-	11,878,307	35,978,314
Furniture and equipment	5,861,815	463,593	(498,454)	449,979	6,276,933
Leasehold improvements	93,432	8,866	-	-	102,298
Motor vehicles	332,002	29,372	-	-	361,374
Construction in progress	12,338,559	-	-	(12,338,559)	-
Works of art	-	35,000	-	-	35,000
	$ 55,699,431	$ 1,324,906	$ (3,299,203)	$ -	$ 53,725,134

	Accumulated Depreciation				Net
	Balance, June 30, 2016	Provisions	Retirements	Balance, June 30, 2017	Book Value, June 30, 2017
Land	$ -	$ -	$ -	$ -	$ 725,000
Land - New campus project	-	-	-	-	2,311,630
Land improvements	69,407	4,071	(29,708)	43,770	27,261
Buildings and improvements	5,959,599	368,317	(2,161,161)	4,166,755	3,696,799
Building - New campus project	386,487	707,897	-	1,094,384	34,883,930
Furniture and equipment	3,873,506	785,246	(477,003)	4,181,749	2,095,184
Leasehold improvements	79,395	3,427	-	82,822	19,476
Motor vehicles	253,223	31,987	-	285,210	76,164
Works of art	-	-	-	-	35,000
	$ 10,621,617	$ 1,900,945	$ (2,667,872)	$ 9,854,690	$ 43,870,444

See note to supplementary information.

UCAN and Affiliates

Statement of Total Program Revenue and Expenses
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Therapeutic Youth Home	Professional Foster Parenting	Independent Living/ Transitional Living	UCAN Academy	Youth Development Prevention/ Other	Housing Support Services	Clinical Counseling Services	Teen Parenting Services Network
Revenue:								
Government	$ 9,310,422	$ 7,030,075	$ 6,176,338	$ 4,354,949	$ 1,272,748	$ 2,334,268	$ 92,002	$ 4,006,462
Private agency/third party	-	-	-	-	-	-	88,626	-
Gifts in-kind	-	-	-	-	-	-	-	-
Other/miscellaneous	-	-	-	-	-	-	218	25
Fundraising	-	-	-	-	1,762	-	-	-
Satisfaction of program restrictions	-	-	1,778	-	1,085,716	94,760	-	-
	9,310,422	7,030,075	6,178,116	4,354,949	2,360,226	2,429,028	180,846	4,006,487
Expenses:								
Salaries and wages	5,412,303	2,302,354	2,881,754	2,136,814	1,735,982	1,457,253	365,022	1,869,321
Employee health and retirement	544,377	214,543	283,747	195,354	112,046	133,215	29,396	159,913
Payroll taxes and other employee benefits	586,641	244,865	317,170	216,286	189,473	147,304	36,465	187,548
	6,543,321	2,761,762	3,482,671	2,548,454	2,037,501	1,737,772	430,883	2,216,782
Program consultants/contractual	130,080	436,714	75,029	261,951	150,730	251,895	6,444	793,131
Training and staff development	21,312	12,552	12,747	20,232	43,613	12,469	4,000	19,409
Program supplies	307,884	25,520	107,596	133,020	29,710	11,730	5,427	24,706
Recreation activity	50,306	48,304	15,582	3,210	9,093	1,793	1,320	1,947
Tuition and school fees	470	6,695	5,642	-	-	-	-	-
Specific assistance	118,998	1,662,712	965,832	-	99,088	16,529	489	246,714
Rental of equipment, buildings and vehicles	-	646,541	-	-	30,010	44,635	-	-
Local transportation	20,633	315,061	220,230	4,762	38,342	100,051	22,472	85,346
Interest	201,100	17,368	43,326	89,097	3,830	2,751	618	7,000
Occupancy	773,131	311,869	291,438	199,455	25,491	40,761	11,148	106,598
Office and computer supplies	6,660	12,559	8,507	6,144	5,805	25,324	1,468	14,097
Telephone	28,885	33,344	45,734	8,592	21,416	28,250	4,407	30,640
Postage	2,377	6,879	5,344	1,221	1,193	3,016	478	4,206
Printing and publication	473	597	400	-	(1,610)	2,141	1,238	4,355
Membership dues	360	-	-	-	-	274	-	123
Subscription and reference material	42	-	38	-	(50)	-	-	1,231
Insurance	39,158	16,030	21,571	12,985	12,986	8,850	2,060	10,759
Gifts in-kind	-	-	-	-	180	-	-	-
Miscellaneous	33,868	29,764	(12,012)	10,009	11,127	6,487	907	20,329
	8,279,058	6,344,271	5,289,675	3,299,132	2,518,455	2,294,728	493,359	3,587,373
Depreciation	743,180	128,100	215,894	207,448	60,000	59,072	17,887	136,619
	9,022,238	6,472,371	5,505,569	3,506,580	2,578,455	2,353,800	511,246	3,723,992
Management and general	1,040,697	844,144	737,580	456,764	194,705	178,461	27,547	367,450
	10,062,935	7,316,515	6,243,149	3,963,344	2,773,160	2,532,261	538,793	4,091,442
	$ (752,513)	$ (286,440)	$ (65,033)	$ 391,605	$ (412,934)	$ (103,233)	$ (357,947)	$ (84,955)

See note to supplementary information.

UCAN and Affiliate

Statement of Total Program Revenue and Expenses (Continued)
Year Ended June 30, 2017 (With Comparative Totals for 2016)

	Family Based Services	Volunteer Program	Total 2017 Program Services	Total 2016 Program Services
Revenue:				
Government	$ 34,356	$ 643,821	$ 35,255,441	$ 33,180,597
Private agency/third party	-	-	88,626	52,657
Gifts in-kind	-	75,613	75,613	77,572
Other/miscellaneous	-	-	243	960
Fundraising	-	-	1,762	-
Satisfaction of program restrictions	90,667	-	1,272,921	1,440,100
	125,023	719,434	36,694,606	34,751,886
Expenses:				
Salaries and wages	71,626	107,569	18,339,998	18,400,674
Employee health and retirement	6,393	4,970	1,683,954	1,542,246
Payroll taxes and other employee benefits	7,237	11,222	1,944,211	1,872,152
	85,256	123,761	21,968,163	21,815,072
Program consultants/contractual	99	160	2,106,233	2,161,174
Training and staff development	466	725	147,525	147,427
Program supplies	167	759	646,519	655,333
Recreation activity	-	-	131,555	134,777
Tuition and school fees	-	-	12,807	13,640
Specific assistance	142	340,362	3,450,866	3,443,560
Rental of equipment, buildings and vehicles	9,434	-	730,620	638,345
Local transportation	4,497	99,845	911,239	926,843
Interest	104	469	365,663	261,230
Occupancy	5,190	3,103	1,768,184	1,668,635
Office and computer supplies	775	303	81,642	91,379
Telephone	734	599	202,601	184,787
Postage	984	86	25,784	26,489
Printing and publication	47	134	7,775	8,379
Membership dues	-	25	782	989
Subscription and reference material	-	-	1,261	1,161
Insurance	416	674	125,489	145,469
Gifts in-kind	-	75,613	75,793	77,572
Miscellaneous	213	6,062	106,754	58,428
	108,524	652,680	32,867,255	32,460,689
Depreciation	2,260	4,459	1,574,919	1,536,702
	110,784	657,139	34,442,174	33,997,391
Management and general	14,632	84,549	3,946,529	3,768,304
	125,416	741,688	38,388,703	37,765,695
	$ (393)	$ (22,254)	$ (1,694,097)	$ (3,013,809)

See note to supplementary information.

Note 1. Basis of Presentation

Program expenses on the statement of total program revenue and expenses include both direct program and occupancy expenses (from the consolidated statement of functional expenses) and an allocation of management and general expenses. Management and general expenses are allocated to all agency cost centers based on each cost center's percentage of overall expenses. For fiscal 2017, $301,349 of management and general expenses was allocated to various support services.