UCAN and Affiliates

Consolidated Financial Report
June 30, 2018

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

RSM US LLP

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
March 29, 2019

UCAN and Affiliates

Consolidated Statement of Financial Position
June 30, 2018 (With Comparative Totals for 2017)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 776,876	$ 555,683
Accounts receivable, net of allowance for doubtful accounts of $635,517 for 2018 and $476,780 for 2017	6,646,814	5,148,712
Grants receivable	852,159	608,305
Pledges receivable, net of allowance for doubtful accounts of $253,540 for 2018 and $160,690 for 2017	1,010,155	1,286,024
Prepaid expenses and other current assets	376,719	294,366
	9,662,723	7,893,090
Pledges receivable, net of allowance for doubtful accounts of $22,904 for 2018 and $32,134 for 2017	580,852	1,003,282
Investments	10,894,293	9,988,619
Institutional properties:		
Land	3,036,630	3,036,630
Land improvements	148,579	71,031
Buildings and improvements	43,864,884	43,841,868
Furniture and equipment	6,633,290	6,276,933
Leasehold improvements	102,298	102,298
Motor vehicles	386,848	361,374
Works of art	35,000	35,000
	54,207,529	53,725,134
Less accumulated depreciation	(11,619,489)	(9,854,690)
	42,588,040	43,870,444
NMTC restricted fee reserve cash account	308,158	395,385
NMTC leveraged loans receivable	21,307,060	21,307,060
Beneficial interest in trusts	11,546,272	11,291,913
	33,161,490	32,994,358
	$ 96,887,398	$ 95,749,793

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Financial Position (Continued)
June 30, 2018 (With Comparative Totals for 2017)

	2018	2017
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 3,064,056**	$ 3,102,872
Accrued expenses	**444,541**	179,453
Deferred revenue	**119,301**	131,337
Accrued payroll and benefits	**2,165,007**	1,844,978
Accrued vacation	**993,682**	806,458
Deferred compensation	**24,000**	24,000
Operating line of credit	**3,034,809**	1,430,513
Current portion of notes payable, net	**255,396**	24,464
Current portion of UTHC construction term loan	**99,964**	94,006
Current portion of construction term loan	**187,884**	187,884
Current portion of TIF bridge loan	**500,000**	500,000
	10,888,640	8,325,965
Long-term liabilities:		
Notes payable, net	**-**	248,187
UTHC construction term loan, net	**1,772,872**	1,863,975
Construction term loan, net	**1,056,320**	1,206,488
TIF bridge loan, net	**979,449**	1,469,079
Federal Home Loan Bank note, net	**1,258,679**	1,218,516
NMTC notes payable, net	**32,799,146**	32,644,709
Bonds payable, net	**8,185,226**	8,170,894
Deferred compensation	**52,887**	76,887
Accrued pension	**599,081**	1,176,627
	46,703,660	48,075,362
Net assets:		
Unrestricted	**25,814,208**	26,274,790
Temporarily restricted	**1,585,344**	1,432,489
Permanently restricted	**11,895,546**	11,641,187
	39,295,098	39,348,466
	$ 96,887,398	$ 95,749,793

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Support, revenue and gains:					
Program support:					
Government	$ 39,557,787	$ -	$ -	$ 39,557,787	$ 35,255,441
Private agency/third-party	69,268	-	-	69,268	88,626
Services in-kind	71,839	-	-	71,839	75,613
Other/miscellaneous	368,904	-	-	368,904	442
	40,067,798	-	-	40,067,798	35,420,122
Public support:					
Contributions	207,006	460,975	-	667,981	461,296
Gifts in-kind	301,402	-	-	301,402	324,478
Bequest	136,464	-	-	136,464	49,165
Foundations	23,864	2,082,833	-	2,106,697	823,392
Benefit income, net of expenses of $89,936 and $105,896, respectively	720,606	-	-	720,606	796,635
Trust income	574,891	-	-	574,891	594,295
	1,964,233	2,543,808	-	4,508,041	3,049,261
Revenue and gains:					
Investment and dividend income	119,803	-	-	119,803	74,637
Net realized and unrealized gain	90,172	-	254,359	344,531	1,548,219
Net gain on sale of institutional properties	-	-	-	-	1,535,749
Rental income	38,500	-	-	38,500	6,000
TIF redevelopment revenues	500,000	-	-	500,000	500,000
	748,475	-	254,359	1,002,834	3,664,605
Net assets released from restrictions:					
Satisfaction of donor/funder restrictions	2,390,953	(2,390,953)	-	-	-
	45,171,459	152,855	254,359	45,578,673	42,133,988
Expenses:					
Program services:					
Therapeutic youth home	9,341,100	-	-	9,341,100	9,022,238
Professional foster parenting	6,569,326	-	-	6,569,326	6,472,371
Independent living/transitional living	5,550,751	-	-	5,550,751	5,505,569
UCAN academy	6,608,832	-	-	6,608,832	3,506,580
Youth development/prevention/other	3,276,608	-	-	3,276,608	2,578,455
Housing support services	2,444,609	-	-	2,444,609	2,353,800
Clinical and counseling services	1,103,843	-	-	1,103,843	511,246
Teen parenting services network	3,685,734	-	-	3,685,734	3,723,992
Family-based services	83,562	-	-	83,562	110,784
Volunteer program	650,859	-	-	650,859	657,139
	39,315,224	-	-	39,315,224	34,442,174
Support services:					
Development	902,312	-	-	902,312	831,998
Other support services	1,296,495	-	-	1,296,495	1,518,216
Management and general	4,633,753	-	-	4,633,753	4,247,878
	6,832,560	-	-	6,832,560	6,598,092
	46,147,784	-	-	46,147,784	41,040,266

UCAN and Affiliates

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Net changes in net assets before other item	$ (976,325)	$ 152,855	$ 254,359	$ (569,111)	$ 1,093,722
Other item:					
Defined benefit plan adjustment	515,743	-	-	515,743	610,898
Net changes in net assets	(460,582)	152,855	254,359	(53,368)	1,704,620
Net assets:					
Beginning of year	26,274,790	1,432,489	11,641,187	39,348,466	37,643,846
End of year	$ 25,814,208	$ 1,585,344	$ 11,895,546	$ 39,295,098	$ 39,348,466

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	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	$5,624,681	$ 2,299,541	$2,987,605	$3,942,853	$ 2,302,079	$ 1,602,846	$ 763,013	$ 1,933,551	$ 49,360
Employee health and retirement	503,216	192,954	264,821	355,349	137,873	140,385	64,550	155,224	5,103
Payroll taxes and other employee benefits	523,903	215,607	288,702	379,073	215,625	150,499	69,211	174,884	4,971
	6,651,800	2,708,102	3,541,128	4,677,275	2,655,577	1,893,730	896,774	2,263,659	59,434
Program consultants/contractual	344,694	446,964	119,458	620,151	109,177	210,361	8,735	792,313	106
Training and staff development	18,227	6,560	12,824	32,698	49,848	7,190	3,397	20,190	852
Program supplies	318,420	18,443	66,385	239,845	53,938	4,695	18,556	23,573	10
Recreation activity	60,491	36,036	16,656	11,801	23,537	1,726	864	397	-
Tuition and school fees	-	1,630	7,100	-	-	-	-	-	-
Specific assistance	74,298	1,725,747	959,079	-	75,221	22,956	74,114	177,470	15
Rental of equipment, buildings and vehicles	-	729,161	-	348,499	7,559	49,970	-	-	10,042
Local transportation	25,220	335,312	192,019	6,830	145,940	102,592	32,999	84,892	3,652
Interest	254,296	19,943	53,181	108,327	4,497	3,392	1,873	8,042	101
Occupancy	745,027	364,427	290,270	256,681	17,484	48,119	14,246	98,649	5,848
Office and computer supplies	10,284	13,864	6,192	17,687	8,571	15,224	6,150	22,423	535
Telephone	27,823	30,281	47,865	23,606	23,893	27,911	11,620	30,758	433
Postage	3,578	5,318	3,832	1,818	746	2,783	479	3,015	411
Printing and publication	250	739	402	1,446	1,977	1,121	285	5,076	-
Membership dues	483	-	-	2,800	356	435	1,707	60	-
Subscription and reference material	136	-	26	55	28	-	-	2,636	-
Bad debt expense	-	-	-	-	-	-	-	-	-
Insurance	33,366	13,244	18,376	21,989	12,147	9,336	4,284	9,696	330
Gifts in-kind	-	-	-	-	-	-	-	-	-
Miscellaneous	71,370	3,527	36,338	14,143	34,422	1,968	2,159	14,150	118
	8,639,763	6,459,298	5,371,131	6,385,651	3,224,918	2,403,509	1,078,242	3,556,999	81,887
Depreciation	701,337	110,028	179,620	223,181	51,690	41,100	25,601	128,735	1,675
	$9,341,100	$ 6,569,326	$5,550,751	$6,608,832	$ 3,276,608	$ 2,444,609	$ 1,103,843	$ 3,685,734	$ 83,562

UCAN and Affiliates

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Volunteer Program	Total Program Services	Support Services: Development	Support Services: Other Support Services	Support Services: Management and General	Support Services: Total Support Services	Total 2018	Total 2017
Salaries and wages	$ 103,647	$21,609,176	$ 482,396	$ 154,608	$ 2,416,932	$ 3,053,936	$ 24,663,112	$ 21,191,616
Employee health and retirement	5,319	1,824,794	29,312	83,201	141,808	254,321	2,079,115	2,029,734
Payroll taxes and other employee benefits	9,935	2,032,410	41,771	11,543	197,653	250,967	2,283,377	2,194,724
	118,901	25,466,380	553,479	249,352	2,756,393	3,559,224	29,025,604	25,416,074
Program consultants/contractual	256	2,652,215	61,610	403,101	451,047	915,758	3,567,973	2,714,120
Training and staff development	956	152,742	19,171	3,102	27,523	49,796	202,538	164,064
Program supplies	3,051	746,916	9,315	1,700	19,091	30,106	777,022	667,271
Recreation activity	-	151,508	6,295	314	108	6,717	158,225	134,331
Tuition and school fees	-	8,730	-	550	-	550	9,280	12,807
Specific assistance	350,304	3,459,204	-	280	-	280	3,459,484	3,450,866
Rental of equipment, buildings and vehicles	-	1,145,231	-	-	-	-	1,145,231	730,620
Local transportation	92,691	1,022,147	3,237	10,278	12,701	26,216	1,048,363	928,355
Interest	535	454,187	566	42,122	62,620	105,308	559,495	541,909
Occupancy	3,054	1,843,805	16,998	89	451,979	469,066	2,312,871	2,337,163
Office and computer supplies	326	101,256	32,220	70	100,448	132,738	233,994	141,832
Telephone	480	224,670	2,812	1,805	256,570	261,187	485,857	426,377
Postage	90	22,070	4,373	-	11,794	16,167	38,237	44,314
Printing and publication	69	11,365	28,652	1,570	3,947	34,169	45,534	42,857
Membership dues	25	5,866	-	3,000	30,083	33,083	38,949	29,310
Subscription and reference material	-	2,881	12,393	-	2,915	15,308	18,189	4,250
Bad debt expense	-	-	101,118	158,737	-	259,855	259,855	277,107
Insurance	723	123,491	3,390	318	105,605	109,313	232,804	229,258
Gifts in-kind	71,839	71,839	-	301,402	-	301,402	373,241	400,271
Miscellaneous	3,830	182,025	19,688	105,624	82,899	208,211	390,236	457,463
	647,130	37,848,528	875,317	1,283,414	4,375,723	6,534,454	44,382,982	39,150,619
Depreciation	3,729	1,466,696	26,995	13,081	258,030	298,106	1,764,802	1,889,647
	$ 650,859	$39,315,224	$ 902,312	$1,296,495	$ 4,633,753	$ 6,832,560	$ 46,147,784	$ 41,040,266

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Net changes in net assets	$ (53,368)	$ 1,704,620
Provision for bad debts	259,855	277,107
Depreciation	1,764,802	1,900,945
Net gain on disposal of institutional properties	-	(1,535,749)
Amortization of deferred financing costs	247,394	287,442
Net realized/unrealized gain on investment securities	(90,172)	(701,342)
Unrealized gain on beneficial interest in trusts	(254,359)	(846,877)
Defined benefit plan adjustment	(515,743)	(610,898)
Changes in:		
Receivables	(1,303,512)	406,303
Prepaid expenses and other current assets	(82,353)	93,162
Accounts payable and accrued expenses	733,525	(3,575,557)
Accrued pension contribution and deferred compensation	(85,803)	80,414
Deferred revenue	(12,036)	18,612
Net cash provided by (used in) operating activities	608,230	(2,501,818)
Cash flows from investing activities:		
Proceeds from sales of investment securities	304,646	11,102,889
Purchases of investment securities	(1,120,148)	(11,313,870)
Proceeds from sales of institutional properties	-	2,167,080
Purchases of institutional properties	(482,398)	(1,324,906)
Net cash (used in) provided by investing activities	(1,297,900)	631,193
Cash flows from financing activities:		
Change in cash in restricted construction account	-	4,147,646
Change in cash in NMTC fee reserve cash account	87,227	124,326
Net borrowings (repayments) on operating line of credit	1,604,296	(523,663)
Net repayments on construction line of credit	(94,373)	(22,964)
Repayment of notes payable	(24,464)	(235,125)
Repayment of Mozart bridge loan	-	(781,657)
Proceeds from issuance of construction term loan	-	67,992
Repayment of construction term loan	(161,823)	-
Repayment of TIF bridge loan	(500,000)	(500,000)
Increase in deferred financing costs	-	(23,341)
Net cash provided by financing activities	910,863	2,253,214
Increase in cash and cash equivalents	221,193	382,589
Cash and cash equivalents:		
Beginning of year	555,683	173,094
End of year	$ 776,876	$ 555,683
Supplemental disclosure of cash flow information:		
Interest paid	$ 568,238	$ 520,840

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 58 percent of its revenue from DCFS and approximately 15 percent of its revenue from Chicago Public Schools during 2018. Accounts receivable from DCFS and Chicago Public Schools comprised approximately 72 and 20 percent, respectively, of UCAN's total accounts receivable balances as of June 30, 2018.

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, 2017, 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.

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.

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, 2018.

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 $769,348 are net of accumulated amortization of $1,301,733 at June 30, 2018. Unamortized deferred financing costs are net against the related debt on the consolidated statement of financial position. Amortization expense was $247,394 for fiscal year 2018 and is included in interest expense on the statement of functional expenses.

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, 2018, UCAN recorded in-kind contribution revenue of $373,241 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, UTHC, and UTHC II file Forms 990 in the U.S. federal jurisdiction and the State of Illinois.

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 Accounting Standards Update (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.

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.

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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for UCAN's 2020 financial statements.

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

Subsequent events: UCAN has evaluated subsequent events for potential recognition and/or disclosure through March 29, 2019, the date the consolidated financial statements were available to be issued.

Note 2. Pledges Receivable

Pledges receivable are summarized as follows at June 30, 2018:

Unconditional promises expected to be collected in:	
Less than one year	$ 1,263,695
One to five years	627,218
	1,890,913
Less: Unamortized discount at 3%	(23,462)
Less: Allowance for uncollectibles	(276,444)
	$ 1,591,007

Net pledges receivable are presented in the consolidated statement of financial position at June 30, 2018:

Current	$ 1,010,155
Long-term	580,852
	$ 1,591,007

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, 2018, 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, 2018, 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, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 9,646,779	$ -	$ -	$ 9,646,779
U.S. government reserves fund	30,845	-	-	30,845
Equity mutual funds:				
U.S. equity index	407,493	-	-	407,493
Large growth	223,387	-	-	223,387
International	585,340	-	-	585,340
Fixed income mutual fund	449	-	-	449
Beneficial interest in trusts	-	-	11,546,272	11,546,272
	$ 10,894,293	$ -	$ 11,546,272	$ 22,440,565

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, 2017	$ 11,291,913
Unrealized gains on beneficial interest in trusts	254,359
Balance, June 30, 2018	$ 11,546,272

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, 2018, 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, 2018.

Note 5. Lease Commitments

UCAN has four property operating lease agreements, which expire at various dates through June 2022. The total future minimum payments under the leases are as follows:

2019	$ 651,000
2020	579,000
2021	74,000
2022	25,000
	$ 1,329,000

UCAN's total lease expense related to all properties was approximately $671,553 for the year ended June 30, 2018.

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 $11,546,272 at June 30, 2018, 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 $574,891 for the year ended June 30, 2018.

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. Employer contributions accrued in 2017 totaling $200,993 were paid in 2018.

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, 2018, was $76,887 and has been recorded as a current liability of $24,000 and a non-current liability of $52,887.

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, 2018 (the most recent valuation date), were as follows:

Plan assets, at fair value	$ 3,018,207
Projected benefit obligation	(3,617,288)
Plan assets less than benefit obligation	$ (599,081)
Amounts recognized in the consolidated statement of financial position	$ (599,081)
Accumulated benefit obligation	$ 3,617,288
Unrecognized actuarial loss not yet recognized in net periodic pension cost, but included as a separate component of unrestricted net assets at June 30, 2018	$ 655,713

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

Employer contribution	$ 90,917
Benefits paid	$ 106,507
Net periodic pension cost	$ 29,114
Other amounts recognized in unrestricted net assets:	
Net actuarial loss reclassified from unrestricted net assets to net periodic pension cost	$ 38,589
Current year net gain	429,519
Settlement loss	47,635
Total gain recognized in unrestricted net assets	$ 515,743

It is estimated that $26,848 of net actuarial loss will be recognized as a component of net periodic pension cost for the year ending June 30, 2019.

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2018, and the net periodic pension cost for the year ended June 30, 2018. These rates were selected based upon current market conditions, UCAN's experience and future expectations.

	Pension Obligation	Net Periodic Pension Cost
Discount rate	4.14%	3.87%
Expected rate of return on plan assets	7.00%	7.00%
Rate of increase in future compensation	N/A	N/A

Note 8. Employee Pension Plan (Continued)

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.

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, 2018, plan assets were comprised of approximately 2 percent money market funds, 74 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 2019 is $0.

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, 2018.

	Level 1	Level 2	Level 3	Total
Money market	$ 54,470	$ -	$ -	$ 54,470
Equity mutual funds:				
Large blend	1,620,289	-	-	1,620,289
International	410,824	-	-	410,824
Small growth	200,381	-	-	200,381
Fixed income mutual funds:				
Intermediate-term	732,243	-	-	732,243
	$ 3,018,207	$ -	$ -	$ 3,018,207

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

2019	$ 203,109
2020	207,695
2021	213,359
2022	213,288
2023	226,927
2024-2028	1,140,850

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 2019. UCAN is currently in the process of renewing this line. Under the terms of this agreement, these borrowings bear interest at either 1 month LIBOR plus 1.25 percent (3.375 percent at June 30, 2018) 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 $3,034,809 outstanding under this line of credit on June 30, 2018. 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, 2018, is as follows:

2002 Variable Rate Demand Reserve Bonds (average interest rate of 1.13% during 2018) principal fully due in 2033	$ 4,000,000
2006 Adjustable Rate Demand Reserve Bonds (average interest rate of 1.13% during 2018) principal fully due in 2036	4,335,000
	8,335,000
Less deferred financing costs, net of amortization	(149,774)
	$ 8,185,226

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, 2018:

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	$ 260,948
Less deferred financing costs, net of amortization	(5,552)
	$ 255,396

The full remaining principal balance of $260,948 is due in 2019; however, UCAN plans to renew this note in 2019.

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, 2018, 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, 2018, 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	(520,854)
Total NMTC notes payable	$ 32,799,146

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

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.

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.

Note 12. NMTC Notes Payable (Continued)

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 $136,611 for UTHC and $171,547 for UTHC II at June 30, 2018.

Note 13. 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, 2018, UTHC had borrowed $1,276,742 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:

2019	$ 187,884
2020	187,884
2021	187,884
2022	187,884
2023	187,884
Thereafter	337,322
	1,276,742
Less deferred financing costs, net of amortization	(32,538)
	$ 1,244,204

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 $1,882,663 outstanding on this loan on June 30, 2018. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home (see Note 15). This loan includes a Debt Service Coverage Ratio of 1.25 or better measured on an annual basis.

Note 13. Construction Term Loans (Continued)

Scheduled future principal payments on the note is as follows:

2019	$ 99,964
2020	104,817
2021	109,906
2022	115,242
2023	120,836
Thereafter	1,331,898
	1,882,663
Less deferred financing costs, net of amortization	(9,827)
	$ 1,872,836

Note 14. 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 (5.36 percent at June 30, 2018). 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. As of June 30, 2018, UCAN has received two TIF distributions totaling $1,000,000 from the City of Chicago as outlined in the Redevelopment Agreement.

Scheduled future principal payments on the notes are as follows:

2019	$ 500,000
2020	500,000
2021	500,000
	1,500,000
Less deferred financing costs, net of amortization	(20,551)
	$ 1,479,449

Note 15. 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 16. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018, are available for the following purposes:

John E. Rooney Scholarship Fund	$	238,405
Violence Prevention Funds		652,269
Boeing Peace Hub Initiative		99,041
Future Leaders Now		50,000
Youth Development		441,098
High-Risk Infants		62,618
Housing		452
Clinical Services		5,850
Other		35,611
	$	1,585,344

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

Permanently restricted net assets at June 30, 2018, 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*		11,546,272
Other FamilyCare of Illinois net assets		313,084
	$	11,895,546

*The income from perpetual trusts is unrestricted.

As of June 30, 2018, 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.

Note 16. Temporarily and Permanently Restricted Net Assets (Continued)

The changes in endowment net assets were as follows for the year ended June 30, 2018:

	Permanently Restricted
Balance, July 1, 2017	$ 11,641,187
Investment return:	
Net gain (realized and unrealized)	254,359
Balance, June 30, 2018	$ 11,895,546

Beneficial Interest in Trusts
$11,546,272 of the total June 30, 2018 endowment balance of $11,895,546 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, 2018, 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 17. 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, 2018

	Assets				
	Balance, June 30, 2017	Additions	Retirements	Transfers	Balance, June 30, 2018
Land	$ 3,036,630	$ -	$ -	$ -	$ 3,036,630
Land improvements	71,031	77,548	-	-	148,579
Buildings and improvements	43,841,868	71,397	(48,381)	-	43,864,884
Furniture and equipment	6,276,933	356,929	(572)	-	6,633,290
Leasehold improvements	102,298	-	-	-	102,298
Motor vehicles	361,374	25,474	-	-	386,848
Works of art	35,000	-	-	-	35,000
	$ 53,725,134	$ 531,348	$ (48,953)	$ -	$ 54,207,529

	Accumulated Depreciation				Net
	Balance, June 30, 2017	Provisions	Retirements	Balance, June 30, 2018	Book Value, June 30, 2018
Land	$ -	$ -	$ -	$ -	$ 3,036,630
Land improvements	43,770	3,501	-	47,271	101,308
Buildings and improvements	5,261,139	1,072,680	-	6,333,819	37,531,065
Furniture and equipment	4,181,749	654,084	(3)	4,835,830	1,797,460
Leasehold improvements	82,822	4,137	-	86,959	15,339
Motor vehicles	285,210	30,400	-	315,610	71,238
Works of art	-	-	-	-	35,000
	$ 9,854,690	$ 1,764,802	$ (3)	$ 11,619,489	$ 42,588,040

See note to supplementary information.

UCAN and Affiliates

Statement of Total Program Revenue and Expenses
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	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	$ 9,334,285	$ 7,316,391	$ 6,046,344	$ 7,811,798	$ 1,447,883	$ 2,550,293	$ 597,769	$ 3,838,264
Private agency/third party	-	-	-	-	-	-	69,268	-
Gifts in-kind	-	-	-	-	-	-	-	-
Other/miscellaneous	-	12,850	-	50	3,299	-	685	-
Fundraising	-	-	-	-	-	-	-	-
Satisfaction of program restrictions	-	-	5,333	-	2,038,841	15,000	241,779	-
	9,334,285	7,329,241	6,051,677	7,811,848	3,490,023	2,565,293	909,501	3,838,264
Expenses:								
Salaries and wages	5,624,681	2,299,541	2,987,605	3,942,853	2,302,079	1,602,846	763,013	1,933,551
Employee health and retirement	503,216	192,954	264,821	355,349	137,873	140,385	64,550	155,224
Payroll taxes and other employee benefits	523,903	215,607	288,702	379,073	215,625	150,499	69,211	174,884
	6,651,800	2,708,102	3,541,128	4,677,275	2,655,577	1,893,730	896,774	2,263,659
Program consultants/contractual	344,694	446,964	119,458	620,151	109,177	210,361	8,735	792,313
Training and staff development	18,227	6,560	12,824	32,698	49,848	7,190	3,397	20,190
Program supplies	318,420	18,443	66,385	239,845	53,938	4,695	18,556	23,573
Recreation activity	60,491	36,036	16,656	11,801	23,537	1,726	864	397
Tuition and school fees	-	1,630	7,100	-	-	-	-	-
Specific assistance	74,298	1,725,747	959,079	-	75,221	22,956	74,114	177,470
Rental of equipment, buildings and vehicles	-	729,161	-	348,499	7,559	49,970	-	-
Local transportation	25,220	335,312	192,019	6,830	145,940	102,592	32,999	84,892
Interest	254,296	19,943	53,181	108,327	4,497	3,392	1,873	8,042
Occupancy	745,027	364,427	290,270	256,681	17,484	48,119	14,246	98,649
Office and computer supplies	10,284	13,864	6,192	17,687	8,571	15,224	6,150	22,423
Telephone	27,823	30,281	47,865	23,606	23,893	27,911	11,620	30,758
Postage	3,578	5,318	3,832	1,818	746	2,783	479	3,015
Printing and publication	250	739	402	1,446	1,977	1,121	285	5,076
Membership dues	483	-	-	2,800	356	435	1,707	60
Subscription and reference material	136	-	26	55	28	-	-	2,636
Insurance	33,366	13,244	18,376	21,989	12,147	9,336	4,284	9,696
Gifts in-kind	-	-	-	-	-	-	-	-
Miscellaneous	71,370	3,527	36,338	14,143	34,422	1,968	2,159	14,150
	8,639,763	6,459,298	5,371,131	6,385,651	3,224,918	2,403,509	1,078,242	3,556,999
Depreciation	701,337	110,028	179,620	223,181	51,690	41,100	25,601	128,735
	9,341,100	6,569,326	5,550,751	6,608,832	3,276,608	2,444,609	1,103,843	3,685,734
Management and general	1,023,604	833,483	706,517	787,297	202,413	184,645	109,109	369,715
	10,364,704	7,402,809	6,257,268	7,396,129	3,479,021	2,629,254	1,212,952	4,055,449
	$ (1,030,419)	$ (73,568)	$ (205,591)	$ 415,719	$ 11,002	$ (63,961)	$ (303,451)	$ (217,185)

See note to supplementary information.

UCAN and Affiliates

Statement of Total Program Revenue and Expenses (Continued)
Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Family Based Services	Volunteer Program	Total 2018 Program Services	Total 2017 Program Services
Revenue:				
Government	$ 15,960	$ 598,800	$ 39,557,787	$ 35,255,441
Private agency/third party	-	-	69,268	88,626
Gifts in-kind	-	71,839	71,839	75,613
Other/miscellaneous	-	-	16,884	243
Fundraising	-	-	-	1,762
Satisfaction of program restrictions	90,000	-	2,390,953	1,272,921
	105,960	670,639	42,106,731	36,694,606
Expenses:				
Salaries and wages	49,360	103,647	21,609,176	18,339,998
Employee health and retirement	5,103	5,319	1,824,794	1,683,954
Payroll taxes and other employee benefits	4,971	9,935	2,032,410	1,944,211
	59,434	118,901	25,466,380	21,968,163
Program consultants/contractual	106	256	2,652,215	2,106,233
Training and staff development	852	956	152,742	147,525
Program supplies	10	3,051	746,916	646,519
Recreation activity	-	-	151,508	131,555
Tuition and school fees	-	-	8,730	12,807
Specific assistance	15	350,304	3,459,204	3,450,866
Rental of equipment, buildings and vehicles	10,042	-	1,145,231	730,620
Local transportation	3,652	92,691	1,022,147	911,239
Interest	101	535	454,187	365,663
Occupancy	5,848	3,054	1,843,805	1,768,184
Office and computer supplies	535	326	101,256	81,642
Telephone	433	480	224,670	202,601
Postage	411	90	22,070	25,784
Printing and publication	-	69	11,365	7,775
Membership dues	-	25	5,866	782
Subscription and reference material	-	-	2,881	1,261
Insurance	330	723	123,491	125,489
Gifts in-kind	-	71,839	71,839	75,793
Miscellaneous	118	3,830	182,025	106,754
	81,887	647,130	37,848,528	32,867,255
Depreciation	1,675	3,729	1,466,696	1,574,919
	83,562	650,859	39,315,224	34,442,174
Management and general	10,935	71,593	4,299,311	3,946,529
	94,497	722,452	43,614,535	38,388,703
	$ 11,463	$ (51,813)	$ (1,507,804)	$ (1,694,097)

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 2018, $334,442 of management and general expenses was allocated to various support services.