UCAN

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2024

UCAN

**FINANCIAL STATEMENTS
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AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2024

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PorteBrown® ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
UCAN
3605 W. Filmore Street
Chicago, IL 60624

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of UCAN, which comprise the statements of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCAN as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UCAN and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCAN's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UCAN's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCAN's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025 on our consideration of the UCAN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the UCAN's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the UCAN's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited UCAN's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PORTE BROWN LLC
Certified Public Accountants

Porte Brown LLC

Elk Grove Village, Illinois
March 28, 2025

UCAN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 976,853	$ 277,488
Grants and contracts receivable, net	10,670,522	7,537,107
Accounts receivable, net	1,468,634	1,222,979
Pledges receivable - current	107,555	361,837
Prepaid expenses and other current assets	139,107	238,009
	13,362,671	9,637,420
FIXED ASSETS		
Institutional properties	56,647,528	56,169,821
Less: Accumulated depreciation	(20,759,390)	(19,266,041)
	35,888,138	36,903,780
OTHER ASSETS		
Pledges receivable - long-term	660,000	241,562
Investments	8,184,976	8,792,453
Operating lease right-of-use-assets	975,627	1,404,063
Pension asset	160,683	57,410
Beneficial interest in trusts	13,594,319	12,151,493
Deferred compensation investment	230,771	213,026
	23,806,376	22,860,007
TOTAL ASSETS	$ 73,057,185	$ 69,401,207

The accompanying notes are an integral part of these financial statements

UCAN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,789,461	$ 2,034,612
Refundable advance	500,000	1,396,325
Accrued payroll and benefits	1,886,072	1,043,368
Accrued vacation	1,057,777	1,057,640
Deferred compensation	4,887	4,887
Operating line of credit	-	615,750
Current portion of notes payable, net	-	138,629
Current portion of construction term loan	209,984	201,262
Current portion of operating lease liabilities	498,605	457,164
Current portion of finance lease liabilities	62,344	57,188
	6,009,130	7,006,825
LONG-TERM OBLIGATIONS		
Construction term loan, net of current portion included above	1,669,936	1,878,483
Federal Home Loan Bank note	1,288,931	1,288,931
Bonds payable, net	7,892,299	7,880,109
Operating lease liabilities, net of current portion	482,030	946,899
Finance lease liabilities, net of current portion	97,844	19,934
	11,431,040	12,014,356
NET ASSETS		
Without donor restrictions	32,892,258	31,471,001
With donor restrictions	22,724,757	18,909,025
	55,617,015	50,380,026
TOTAL LIABILITIES AND NET ASSETS	$ 73,057,185	$ 69,401,207

UCAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024
(with summarized comparative totals for the year ended June 30, 2023)

	2024			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2023 Total**
REVENUES AND SUPPORT				
Program support:				
Government	$ 57,024,834	$ -	$ 57,024,834	$ 46,465,748
Medicaid	1,724,839	-	1,724,839	1,706,113
Other/miscellaneous	3,679	-	3,679	294,908
	58,753,352	-	58,753,352	48,466,769
Public support:				
Contributions	1,016,067	873,305	1,889,372	1,734,478
Bequests	575	-	575	-
Foundations	151,149	2,504,750	2,655,899	815,747
Benefit income, net of expenses of $243,785 and $105,113, respectively	796,192	-	796,192	197,496
Trust income	-	-	-	525,873
	1,963,983	3,378,055	5,342,038	3,273,594
Revenue and gains:				
Investment and dividend income, net	361,281	-	361,281	496,813
Net realized and unrealized gain	1,123,578	1,442,826	2,566,404	922,612
Miscellaneous income	86,795	-	86,795	-
Rental income	-	-	-	690
	1,571,654	1,442,826	3,014,480	1,420,115
Net assets released from restriction	1,005,149	(1,005,149)	-	-
	63,294,138	3,815,732	67,109,870	53,160,478
EXPENSES				
Program services	49,013,230	-	49,013,230	42,762,714
Management and general	11,139,348	-	11,139,348	8,625,846
Development	1,823,576	-	1,823,576	1,106,094
	61,976,154	-	61,976,154	52,494,654
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	1,317,984	3,815,732	5,133,716	665,824
OTHER ITEMS				
Gain from NMTC loan forgiveness	-	-	-	5,558,937
Pension-related changes other than net periodic pension cost	103,273	-	103,273	282,175
CHANGE IN NET ASSETS	1,421,257	3,815,732	5,236,989	6,506,936
NET ASSETS, BEGINNING OF YEAR	31,471,001	18,909,025	50,380,026	43,873,090
NET ASSETS, END OF YEAR	$ 32,892,258	$ 22,724,757	$ 55,617,015	$ 50,380,026

UCAN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024
(with summarized comparative totals for the year ended June 30, 2023)

	Program Services					
	Therapeutic Youth Home	Professional Foster Parenting	Teen Transitional Living	UCAN Academy	Youth Development Prevention	Workforce Development
EXPENSES						
Personnel	$ 7,915,848	$ 3,199,914	$ 3,975,244	$ 4,170,515	$ 5,879,832	$ 2,454,936
Consultants/contractual	503,543	1,513,252	691,226	1,052,580	146,595	526,899
Staff development	(14,668)	50,757	1,138	329	58,599	37,145
Program direct	135,599	548,971	706,557	10,456	1,365,190	2,032,861
Program indirect	313,756	89,645	41,237	86,059	265,348	129,088
Occupancy	1,317,694	909,832	352,406	506,170	40,149	7,737
Operations	871,769	179,483	93,889	305,891	403,564	70,854
Miscellaneous	1,775,729	5,659	24,986	21,619	(5,493)	84,228
Depreciation and amortization	1,020,296	7,899	97,628	8,733	-	1,918
TOTAL EXPENSES	$ 13,839,566	$ 6,505,412	$ 5,984,311	$ 6,162,352	$ 8,153,784	$ 5,345,666

The accompanying notes are an integral part of these financial statements

UCAN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024
(with summarized information for the year ended June 30, 2023)

	Program Services						
	Clinical and Counseling Services	**Teen Parenting Services**	**Total Programs**	**Management and General**	**Development**	**2024 Total**	**2023 Total**
EXPENSES							
Personnel	$ 514,614	$ 2,355,451	$ 30,466,354	$ 4,230,103	$ 1,145,832	$ 35,842,289	$ 31,145,889
Consultants/contractual	400	18,639	4,453,134	3,064,998	456,055	7,974,187	7,638,591
Staff development	(1,185)	1,711	133,826	51,171	1,735	186,732	255,031
Program direct	60	59,925	4,859,619	1,800	68,705	4,930,124	3,753,047
Program indirect	32,272	3,586	960,991	(960,990)	-	1	146,806
Occupancy	2,802	12,616	3,149,406	807,509	4,079	3,960,994	3,782,585
Operations	1,142	17,298	1,943,890	1,088,193	140,013	3,172,096	3,381,653
Miscellaneous	968	974	1,908,670	2,622,563	7,157	4,538,390	877,038
Depreciation and amortization	231	635	1,137,340	234,001	-	1,371,341	1,514,014
TOTAL EXPENSES	$ 551,304	$ 2,470,835	49,013,230	$ 11,139,348	$ 1,823,576	61,976,154	$ 52,494,654

The accompanying notes are an integral part of these financial statements

UCAN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	$ 5,236,989	$ 6,506,936
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	1,538,638	24,998
Depreciation	1,510,548	1,346,985
Amortization of deferred financing costs	12,190	124,013
Net realized/unrealized gain on investment securities	(476,834)	(182,547)
Unrealized gain on beneficial interest in trusts	(1,442,826)	(740,066)
Gain from NMTC loan forgiveness	-	(5,558,937)
Pension-related changes other than net periodic pension cost	(103,273)	(282,175)
Reduction of operating lease right-of-use assets	428,436	421,841
Changes in:		
Receivables	(5,081,864)	4,811,230
Prepaid expenses and other current assets	98,902	7,245
Accounts payable and accrued expenses	597,690	(1,402,198)
Operating lease liabilities	(423,428)	(444,785)
Refundable advance	(896,325)	(1,268,350)
Deferred compensation investment	(17,745)	-
Net cash provided by operating activities	981,098	3,364,190
INVESTING ACTIVITIES		
Proceeds from sale of investments	3,251,397	96,218
Purchase of investments	(2,167,086)	(591,957)
Proceeds from sale of institutional properties	-	130,047
Purchases of institutional properties	(342,615)	(30,630)
Net cash provided (used) by investing activities	741,696	(396,322)
FINANCING ACTIVITIES		
Repayment of deferred financing costs	-	(111,456)
Net repayment on line of credit	(615,750)	(2,269,920)
Repayment of construction term loan	(199,825)	(191,626)
Repayment of notes payable	(138,629)	(24,464)
Repayment of UTHC construction term loan	-	(308,229)
Repayment of finance lease liability	(69,225)	(5,023)
Net cash used by financing activities	(1,023,429)	(2,910,718)
NET INCREASE IN CASH AND CASH EQUIVALENTS CASH EQUIVALENTS AND RESTRICTED CASH	699,365	57,150
BEGINNING CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	277,488	220,338
ENDING CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 976,853	$ 277,488

The accompanying notes are an integral part of these financial statements

UCAN

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
SUPPLEMENTAL INFORMATION TO CASH FLOWS		
Cash paid during the year for:		
Income taxes	$ -	$ -
Interest	626,390	381,241
Noncash operating activities:		
Right of use assets obtained through operating leases	$ -	$ 1,404,063
Noncash financing activities:		
Gain from NMTC loan forgiveness	$ -	$ 5,558,937
Right-of-use assets obtained for incurring finance lease liabilities	152,291	-

NOTE A – NATURE OF OPERATIONS

UCAN (the "Organization") 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. The Organization received approximately 39% of its revenue from DCFS and approximately 17% of its revenue from Chicago Public Schools during 2024. Accounts receivable from DCFS and Chicago Public Schools comprised approximately 45% and 29%, respectively, of the Organization's total accounts receivable balances as of June 30, 2024.

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 Street 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 (the "Organization") will refer to UCAN, UTHC and UTHC II, collectively, unless otherwise indicated. UTHC was dissolved on August 18, 2021. During the year the NMTC investor put their option and UCAN became the owner of the QEI funds at the end of the Compliance Period. This action resulted in forgiveness of the historically held NMTC leveraged loan receivable as well as extinguishment of UTHC II's NMTC notes payable. UTHC II was dissolved on October 6, 2022.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING

The Organization maintains records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions and providing services less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of donated assets, either temporarily or permanently, until the donor restriction expires, the net assets are restricted.

The financial statements include certain prior year summarized comparative information in total but not by net asset class, functional allocation, or with additional disclosure detail. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The 2023 consolidated financial statement includes the accounts of UCAN and its dissolved affiliate UTHC II. All significant intercompany accounts and transactions were eliminated in consolidation. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

REVENUE RECOGNITION

Contributions and promises to give
In accordance with FASB ASC 958-605-25 "Not-for-Profit Entities Revenue Recognition" contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair market values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605 requires not-for-profit organizations to distinguish between contributions received that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire. The Organization has elected the simultaneous release policy for government grants, which allows the organization to recognize restricted conditional contributions directly in net assets without donor restrictions when the condition is met, which is generally when qualifying expenditures have been incurred.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises, consisting mostly of grants from government agencies and foundations, are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). The Organization has received conditional promises to give, which generally represent unexpended government grants, amounting to approximately $1,950,000, which have not been recognized because the Organization has not yet met the related barriers. These amounts will be subject to recognition as the Organization incurs qualifying expenses and performs its duties under the terms of the grant agreements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

In-kind contributions
The Organization receives significant in-kind contributions related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Revenue from Contracts with Customers
The Organization derives a portion of its revenue from sources that involve contracts with customers. Those sources include Medicaid and ticket sales from special events. Revenue from services provided under the Organization's care are recognized at the point in time the services are provided for. These services are paid by Medicaid. The price is determined based on preapproved rates and goes through an approval process with Medicaid. In estimating the transaction price, the Organization uses historical data to calculate a discount percentage by payer. Revenues from special events is recognized as the cost of direct benefits to donors, and contribution revenue is recognized for the difference.

Revenues are recognized when control of these services is transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The Organization does not have any significant financing components as all payments are received within the year of services being performed. Revenue from these revenue streams can be impacted by the needs of the local community. The Organization has elected to use the portfolio approach practical expedient. The Organization's contracts with customers contain similar terms and as a result, the Institute has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Organization does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

EXPENSE RECOGNITION AND ALLOCATION

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and are presented by natural and functional classification in the statement of functional expenses. Expenses related only to one program or supporting function are charged directly to that function, while expenses benefitting more than one functional area are allocated on a rational basis. Personnel costs which benefit more than one functional category are allocated based on estimates of time and effort. Other shared costs related to occupancy such as depreciation and utilities are allocated to programs and supporting activities based on estimates of building use.

DONOR IMPOSED RESTRICTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions which increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DONOR IMPOSED RESTRICTIONS (Continued)

Net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Power of Potential Campaign	$ 2,614,030
John E. Rooney Scholarship Fund	249,405
Violence Prevention	719,014
Future Leaders Now	676,251
Youth Development	1,382,969
High-Risk Infants	464,350
Youth Scholarships	186,508
Clinical Services	26,250
Other	2,462,387
	8,781,164
Other endowment assets subject to endowment spending policy:	
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	18,500
Grace Claussen—Samuels Building	3,302
Other FamilyCare of Illinois net assets	313,084
	349,274
Endowment funds:	
Perpetually restricted	13,594,319
	$ 22,724,757

Net assets released from restriction due the years ended June 30, 2024 were as follows:

Power of Potential Campaign	$ 225,283
Violence Prevention Funds	75,000
Future Leaders Now	400,000
Other	304,866
	$ 1,005,149

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At various times during the year, the Organization has cash and cash equivalents in excess of federally insured limits of $250,000. These amounts potentially subject the Organization to credit risk if the banking institution fails. It is of the opinion of management that the solvency of the referenced financial institutions is not of a particular concern at this time.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable primarily consist of amounts due from the Illinois Department of Children and Family Services, and other various agencies for program services provided and are recorded at the invoiced amount and do not bear interest. The Organization maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. These accounts may also include payments due from various Corporations and Foundations. The Organization considers grants receivable to be fully collectible. Grants receivables are valued at management's estimate of the amount that will ultimately be collected. The Organization maintains an allows for these receivables of $2,573,202.

ACCOUNTS RECEIVABLE

Trade accounts receivable are measured at amortized cost. The Organization records an allowance for lifetime credit losses that are expected to be incurred as of the date that a receivable is originated. The allowance reduces the carrying amount of the receivables to the net amount expected to be collected over the assets' contractual term. The determination of the allowance requires management to collectively evaluate receivables by classifying them into pools that share similar risk characteristics such as risk rating, type of receivable, size of the receivable, contractual term, date of origination (vintage), etc. while individually evaluating such assets, if any, that do not possess risk characteristics similar to those in the identified pools. The Organization has designed and implemented credit-granting policies and standards intended to mitigate credit risk. Credit risk is assessed on an ongoing basis using both quantitative and qualitative analysis. The Organization considers a receivable to be past due when the normal trade terms have been exceeded. Receivables are written off after all reasonable collection efforts have been exhausted. Write offs are recognized as a deduction from the allowance for credit losses. Amounts previously written off that are now expected to be recovered are included in the determination of the allowance for credit losses.

Estimate of the required allowance for credit losses is based on available and relevant internal and/or external information about historical loss experience with similar assets, current conditions, and, if applicable, reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets that have an extended contractual term. The risks attributable to portfolio of trade accounts receivable relate to the liquidity and financial viability of customers. The credit risk relative to the customer environment is largely due to factors such as general economic conditions, inflation rates and interest rates. The Organization determines the allowance for credit losses by using an accounts receivable aging schedule and utilizing historical loss percentages adjusted for the effects of current conditions. The factors that influenced judgments in the current periods were as follows: interest rates and the rate of inflation. Due to the short-term nature of accounts receivable, it was not necessary for the Organization, in making computations, to adjust the estimate of the rate of expected lifetime credit losses for reasonable and supportable forecasts or revert to historical data for periods subsequent to a reasonable and supportable forecast period. The amount estimated for an allowance for credit losses is $490,134.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLEDGES RECEIVABLE

Pledges receivable are summarized as follows as of June 30, 2024:

Unconditional promises expected to be collected in:	
Less than one year	$ 660,000
One to five years	160,000
	820,000
Less: allowance for uncollectables	(52,445)
	$ 767,555

Net pledges receivable are presented in the statement of financial position at June 30, 2024:

Current	$ 107,555
Long-term	660,000
	$ 767,555

INSTITUTIONAL PROPERTIES

Institutional properties are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets. The Organization has adopted a policy to capitalize assets using a $5,000 threshold. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income. Major classifications of property and equipment and their respective lives are summarized below:

	Lives in Years	
Land	-	$ 3,036,630
Building	15	44,162,755
Land improvements	20 - 40	330,147
Leasehold improvements	20 - 40	137,735
Machinery and equipment	5 - 10	8,069,933
Vehicles	5	875,328
Works of art	-	35,000
		$ 56,647,528

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSET IMPAIRMENT

The Organization 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 the Organization identifies impairment for long-lived assets to be held and used, the Organization compares the assets' current carrying value to the assets' fair value. Fair value is based on current market values or discounted future cash flows. the Organization records impairment when the carrying value exceeds fair market value. There were no impairment indicators during the year ended June 30, 2024.

INVESTMENTS

Investment securities are stated at fair value based on quoted market prices or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value and are reported as a component of investment income. Realized gains and losses are recognized using the average cost method and are reported as a component of investment income. In addition, external and direct internal expenses relating to investment activities have been netted against investment income. The Organization'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 the Organization's financial statements.

INCOME TAXES

UCAN is generally exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Accordingly, no provision for income tax expense is included in the accompanying financial statements. The Organization has adopted the provision of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Organization files information returns in the U.S. federal jurisdiction, and the State of Illinois. Management is not aware of any uncertain tax positions.

RECLASSIFICATIONS

Reclassifications occurred to certain prior year amounts in order to conform with the current year classifications. The reclassifications have no effect on reported change in net assets.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 28, 2025, the date which the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization considers all expenditures related to its ongoing program activities, as well as the services undertaken to support those activities to be general expenditures. The Organization regularly monitors liquidity required to meet its operation needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following table show the total financial assets held by the Organization and the amounts of which could readily be made available within one year of June 30, 2024 to meet general expenditures:

Cash and cash equivalents	$ 976,853
Accounts receivable, net	12,139,156
Pledges receivable - current	107,555
Investments	8,184,976
Expected distribution from beneficial interest in trusts	680,000
Total financial assets	22,088,540
Less those unavailable for general expenditures within one year due to:	
Investments being held as collateral	7,985,000
Donor imposed restrictions	8,470,438
Financial assets available to meet general expenditures within one year	$ 5,633,102

NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2024.

Mutual, money market, comingled and exchange-traded Funds: Valued at the net asset value (NAV) of shares held by the Organization as of the end of the year. These are categorized as level 1 in the fair value hierarchy.

Beneficial interest in trusts: The fair value of the Organization's beneficial interest in trusts was provided by the respective trustees. the Organization'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 the Organization has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the Organization's beneficial interest is estimated to approximate the fair value of the trusts' assets.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets at fair value as of June 30, 2024 consist of:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 4,075,988	$ -	$ -	$ 4,075,988
Equity mutual funds				
US equity index	1,540,307	-	-	1,540,307
Large gowth	1,510,231	-	-	1,510,231
Emerging markets	260,829	-	-	260,829
International	797,619	-	-	797,619
Fixed-income mutual fund	2	-	-	2
Beneficial interest in trusts	-	-	13,594,319	13,594,319
	$ 8,184,976	$ -	$ 13,594,319	$ 21,779,295

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which the Organization 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, 2023	$ 12,151,493
Unrealized gain on beneficial interest in trusts	1,442,826
Balance, June 30, 2024	$ 13,594,319

NOTE E – BENEFICIAL INTERESTS IN TRUSTS

Beneficial interest in trusts is comprised of ten separate trusts comprised primarily of securities with readily determined market values. The Organization 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 $13,594,319 at June 30, 2024, and represents the Organization’s proportionate interest in the value of the trusts. The fair value of the trusts was provided by the trustees.

NOTE F – RETIREMENT PLAN

The Organization 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, the Organization determines the amount to be contributed to the plan. There were no retirement plan expenses relating to the Organization’s contributions for the year ended June 30, 2024.

NOTE G – 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 the Organization when FCI merged with the Organization 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 did not affect benefits accrued prior to August 21, 2004, or participants' vesting in benefits accrued prior to that date.

The Organization 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 statement of financial position and to recognize changes in that funded status in changes in net assets without donor Restrictions in the year in which the changes occur.

NOTE G – EMPLOYEE PENSION PLAN (Continued)

Following is a summary of plan information as provided by the consulting actuary:

Change in projected benefit obligation:	
Projected benefit obligation, beginning of year	$ 2,616,915
Interest cost	128,834
Actuarial loss	67,212
Benefits paid	(270,829)
Projected benefit obligation, end of year	$ 2,542,132
Change in plan assets:	
Plan assets at fair value, beginning of year	$ 2,674,325
Actual return on plan assets	273,679
Benefits paid	(270,829)
Employer contributions	25,640
Plan assets at fair value, end of year	$ 2,702,815
Funded status—plan assets in excess of benefit obligation (asset on the consolidated statement of financial position)	$ 160,683
Accumulated benefit obligation	$ 2,434,857
Components of periodic benefit cost and other amounts recognized in net assets without donor restriction:	
Interest cost	$ 128,834
Expected return on plan assets	(166,617)
	$ (37,783)
Other amounts recognized in net assets without donor restrictions:	
Net actuarial loss reclassified from net assets without donor restrictions to net periodic pension cost	$ -
Current-year net loss	(39,850)
	$ (39,850)
Total loss recognized in net periodic benefit cost and net assets without donor restrictions	$ (77,633)
Benefits paid	$ 270,829
Employer contribution	$ 25,640
Unrecognized actuarial loss not yet recognized in net periodic pension cost, but included as a separate component of net assets without donor restrictions at June 30, 2024	$ -

NOTE G – EMPLOYEE PENSION PLAN (Continued)

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2024, and the net periodic pension cost for the year ended June 30, 2024. These rates were selected based upon current market conditions, the Organization's experience and future expectations.

	Pension Obligation	Net Periodic Pension Cost
Discount rate	5.40%	5.15%
Expected rate of return on plan assets	6.50%	6.50%

The Organization 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, 2024, plan assets were comprised of approximately 47% equity mutual funds and 53% fixed income mutual funds. The plan targets the asset mix to be 70% equity funds and 30% bond funds. As determined by the Organization's actuary, the estimated contribution to the plan for fiscal year 2024 is $241,921.

The following table presents the Organization's pension plan's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2024.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 14,441	$ -	$ -	$ 14,441
Equity mutual funds	1,266,801	-	-	1,266,801
Fixed-income mutual fund	1,421,573	-	-	1,421,573
	$ 2,702,815	$ -	$ -	$ 2,702,815

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

2025	$ 241,921
2026	235,444
2027	228,523
2028	223,149
2029	216,807
2030 - 2034	973,154

NOTE H – LEASE COMMITMENTS

The Organization has entered into various lease commitments on a building and vehicles used for its activities which have been classified as operating and finance leases, respectively. The current terms of the building operating lease provide for annual rents of $457,164 payable monthly, increasing to $482,736 and expiring June 2026. The current terms of the vehicles financial leases provide for annual rents ranging from $3,666 to $9,003 payable monthly. The expiration dates of the financial leases range from October 2024 to July 2028. The equipment leased is collateral on certain operating leases. Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The financial statements do not include operating lease payments related to the option to extend the lease term because it is not reasonably certain that the option will be exercised. The vehicle leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The operating and finance lease assets and liabilities were calculated using the risk-free discount rate according to the Organization's elected policy for all lease agreements.

The following is a summary of rent expense:

Operating leases	
Operating lease expense	$ 489,172
Finance leases	
Amortization of right-of-use assets	92,962
Interest on lease liabilities	9,117
	$ 591,251

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of June 30, 2024:

	2024
Finance Leases	
Property and equipment	$ 482,748
Accumulated depreciation	(326,066)
	$ 156,682
Current portion of finance lease liabilities	$ 62,344
Finance lease liabilities, net of current portion	97,843
	$ 160,187

NOTE H – LEASE COMMITMENTS (Continued)

The following summarizes other information about leases as of June 30, 2024:

	Operating	Finance
Weighted Average Remaining Lease Term	2 years	3.27 years
Weighted Average Discount Rate	0.27%	4.32%
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		$ 484,164
Operating cash flows from finance leases		9,117
Financing cash flows from finance leases		69,225

The maturities of lease liabilities as of June 30, 2024 are as follows:

Year-ending June 30,	Operating	Finance
2025	$ 500,616	$ 67,751
2026	482,736	36,351
2027	-	34,002
2028	-	34,002
Total lease payments	983,352	172,106
Less: Interest	(2,717)	(11,918)
Present value of lease liabilities	$ 980,635	$ 160,188

NOTE I – LINE OF CREDIT

The Organization maintains a loan agreement with US Bank, which provides a $3,750,000 revolving line of credit facility, payable on demand, which expires on April 30, 2025. Under the terms of this agreement, these borrowings bear interest at either one month LIBOR plus 1.4375% (6.463% at June 30, 2024) or at a base rate plus 1% (base rate is defined as the greater of prime or the federal funds rate plus 2%), at the borrower's option. Borrowings under the line of credit facility are collateralized by certain "eligible accounts" receivable, as defined. The Organization had $0 outstanding under this line of credit on June 30, 2024. The line of credit agreement contains a provision that the Organization maintain a debt service ratio of 1.15 to 1.

NOTE J – BONDS PAYABLE

A summary of bonds payable at June 30, 2024, is as follows:

2002 Variable rate demand reserve bonds (interest rate of 3.90% at June 30, 2024) principal fully due in November 2024	$ 4,000,000
2006 Adjustable rate demand reserve bonds (interest rate of 3.90% at June 30, 2024) principal fully due in 2036	3,985,000
	7,985,000
Less: Deferred financing costs, net of amortization	(92,701)
	$ 7,892,299

In September 2002, the Organization 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 $4,000,754, which expires in November 2024. 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, the Organization 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 $4,015,814, which expires in November 2024.

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 restricted cash and investments requirement of at least $7,985,000 measured at each June 30 and December 31. Furthermore, the Organization 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 I. As of June 30, 2024, the Organization was in compliance with the unrestricted cash and investment debt covenant.

NOTE K – NOTE PAYABLE

The Organization has a term note payable to US Bank originally dated February 2014 and modified from time to time, most recently in 2019. The note matured in April 2024, at which time the entire remaining balance was repaid. The note bore interest at Monthly LIBOR plus 2% and was secured by the Organization’s residential buildings.

NOTE L – CONSTRUCTION TERM LOAN

The Organization also maintains a loan agreement with Providence Bank and Trust. The original $2,424,903 term note was refinanced on August 5th, 2021, and expires March 2027. Under the terms of this agreement, these borrowings bear interest at 4.25% and is secured by a first lien encumbrance upon the Therapeutic Youth Home. The Organization had $1,879,920 outstanding on this loan on June 30, 2024. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home.

Scheduled future principal payments on the note are as follows:

2025	$ 209,984
2026	219,084
2027	1,450,852
	$ 1,879,920

NOTE M – FEDERAL HOME LOAN BANK NOTE AND AFFORDABLE HOUSING GRANT

On June 18, 2015, the Organization 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, the Organization entered into a promissory note 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 N – ENDOWMENT

The Organization’s endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The governing body has interpreted the 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.

NOTE N – ENDOWMENT (Continued)

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Beneficial Interests in Trusts
Beneficial interest in trust assets of $13,594,319 at June 30, 2024 of the endowment balance is held in trusts that are not controlled by the Organization. The return objectives, risk parameters and related strategies are at the discretion of the manager of the trusts. The income from the trusts is unrestricted and as such the spending policy for these funds is to utilize any income distributed for operating purposes.

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives
The Organization manages other endowment investments according to the same policies adopted by the Board of Directors for the Organization’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, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation (approximately 70% equity and 30% fixed income) that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. As of December 2016, the Organization’s Board of Directors approved a more conservative, interim allocation strategy (approximately 10% equity and 90% fixed income) to ensure bank covenant requirements are met.

Spending Policy
Over the long-term, the spending policy for the Organization’s investments, including Other Endowment Assets, is to withdraw, on an annual basis, 3% 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 N – ENDOWMENT (Continued)

Changes in endowment net assets for the years ending June 30, 2024 are as follows:

	With Donor Restrictions		
	Temporarily restricted	Perpetually restricted	Total
Endowment net assets, July 01, 2023	$ 349,274	$ 12,151,493	$ 12,500,767
Investment income	-	1,442,826	1,442,826
June 30, 2024	$ 349,274	$ 13,594,319	$ 13,943,593

NOTE O – CONTINGENCIES

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

NOTE P – ACCOUNTING CHANGE

As of July 1, 2023, the Organization adopted ASU 2016-13, Financial Instruments- Credit Losses (Topic 326) that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts and notes receivable. The CECL methodology is applicable to financial assets that are measure at amortized cost, including trade accounts receivable, contract assets, and notes and loans receivable due from officers, owners, and employees. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The Organization adopted the changes in accounting for credit losses using a modified retrospective method. Under the modified retrospective approach, the Organization had no change to the opening balances that included the date of initial application.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
UCAN
3605 W. Filmore Street
Chicago, IL 60624

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of UCAN, which comprise the statements of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCAN's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UCAN's internal control. Accordingly, we do not express an opinion on the effectiveness of the UCAN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

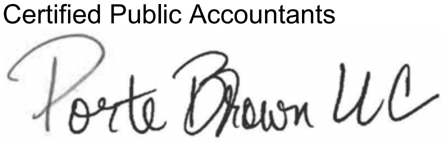
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCAN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purposes of this Report

This report of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PORTE BROWN LLC
Certified Public Accountants



Elk Grove Village, Illinois
March 28, 2025