UCAN and Affiliates

Consolidated Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

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, 2021, 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 as of June 30, 2021, 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.

Report on Summarized Comparative Information
We have previously audited UCAN's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
August 3, 2022

UCAN and Affiliates

Consolidated Statement of Financial Position
June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 2,489,036	$ 13,027
Accounts receivable, net of allowance for doubtful accounts of $2,481,541 for 2021 and $1,121,759 for 2020	3,168,230	5,651,662
Grants receivable	542,472	838,781
Pledges receivable, net of allowance for doubtful accounts of $152,286 for 2021 and $195,504 for 2020	1,474,699	1,560,455
Prepaid expenses and other current assets	421,078	1,143,868
	8,095,515	9,207,793
Pledges receivable, net of allowance for doubtful accounts of $25,000 for 2021 and $81,481 for 2020	1,452,449	2,333,449
Investments	10,936,765	9,873,058
Operating lease right-of-use assets	938,440	-
Institutional properties:		
Land	3,036,630	3,036,630
Land improvements	330,147	279,194
Buildings and improvements	43,958,590	44,193,509
Furniture and equipment	7,618,456	7,400,215
Leasehold improvements	137,735	137,735
Motor vehicles	671,168	671,168
Works of art	35,000	35,000
	55,787,726	55,753,451
Less accumulated depreciation	(16,168,065)	(14,948,086)
	39,619,661	40,805,365
NMTC restricted fee reserve cash account	45,059	133,872
NMTC leveraged loans receivable	5,846,160	21,307,060
Beneficial interest in trusts	13,909,848	11,168,307
	19,801,067	32,609,239
	$ 80,843,897	$ 94,828,904

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UCAN and Affiliates

Consolidated Statement of Financial Position (Continued)
June 30, 2021 (With Comparative Totals for 2020)

	2021	2020
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 1,044,209**	$ 1,329,044
Accrued expenses	**688,372**	601,116
Refundable advance	**1,539,330**	1,014,038
Accrued payroll and benefits	**2,508,843**	2,570,240
Accrued vacation	**1,014,107**	1,102,428
Deferred compensation	**7,887**	24,000
Operating line of credit	**205,011**	3,557,885
Current portion of notes payable, net	**16,542**	14,990
Current portion of construction term loan	**115,242**	109,906
Current portion of UTHC construction term loan	**187,544**	187,544
Current portion of operating lease obligations	**515,149**	-
Current portion of finance lease obligations	**55,835**	61,943
	7,898,071	10,573,134
Long-term liabilities:		
Notes payable, net	**171,014**	197,030
Construction term loan, net	**1,463,212**	1,579,025
UTHC construction term loan, net	**677,867**	810,372
Federal Home Loan Bank note, net	**1,288,931**	1,288,931
NMTC notes payable, net	**11,644,603**	33,108,021
Paycheck Protection Program loan	**6,010,500**	-
Bonds payable, net	**7,854,369**	8,200,330
Operating lease obligations	**442,571**	-
Finance lease obligations	**114,879**	162,743
Deferred compensation	**-**	4,887
Accrued pension	**373,524**	1,042,770
	30,041,470	46,394,109
Net assets:		
Without donor restrictions	**23,508,404**	22,165,407
With donor restrictions	**19,395,952**	15,696,254
	42,904,356	37,861,661
	$ 80,843,897	$ 94,828,904

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support, revenue and gains:				
Program support:				
Government	$ 37,585,720	$ -	$ 37,585,720	$ 38,618,816
Private agency/third-party	51,435	-	51,435	37,251
Services in-kind	-	-	-	51,962
Other/miscellaneous	200,370	-	200,370	8,998
	37,837,525	-	37,837,525	38,717,027
Public support:				
Contributions	317,353	1,209,108	1,526,461	3,166,353
Bequests	7,316	-	7,316	57,261
Foundations	2,060,961	1,361,450	3,422,411	2,751,913
Benefit income, net of expenses of $69,299 and $90,751, respectively	654,011	-	654,011	618,691
Trust income	573,198	-	573,198	552,499
	3,612,839	2,570,558	6,183,397	7,146,717
Revenue and gains (losses):				
Investment and dividend income, net	33,661	-	33,661	94,073
Net realized and unrealized gain (loss)	984,352	2,741,541	3,725,893	(273,086)
Net gain on sale of institutional properties	185,500	-	185,500	-
Rental income	15,380	-	15,380	14,800
TIF redevelopment revenues	500,000	-	500,000	500,000
	1,718,893	2,741,541	4,460,434	335,787
Net assets released from restrictions:				
Satisfaction of donor/funder restrictions	1,612,401	(1,612,401)	-	-
	44,781,658	3,699,698	48,481,356	46,199,531
Expenses:				
Program services:				
Therapeutic youth home	10,824,428	-	10,824,428	10,331,090
Professional foster parenting	6,319,886	-	6,319,886	5,854,072
Independent living/transitional living	5,356,267	-	5,356,267	4,536,658
UCAN academy	6,426,596	-	6,426,596	6,272,619
Youth development/prevention/other	6,979,080	-	6,979,080	5,036,279
Housing support services	-	-	-	2,041,663
Clinical and counseling services	1,093,545	-	1,093,545	1,222,060
Teen parenting services network	2,692,234	-	2,692,234	3,041,041
Family-based services	89,198	-	89,198	84,140
Volunteer program	707,087	-	707,087	614,856
	40,488,321	-	40,488,321	39,034,478
Support services:				
Development	1,119,080	-	1,119,080	1,018,532
Other support services	2,210,115	-	2,210,115	835,222
Management and general	6,384,998	-	6,384,998	5,882,151
	9,714,193	-	9,714,193	7,735,905
	50,202,514	-	50,202,514	46,770,383

(Continued)

UCAN and Affiliates

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Net changes in net assets before other items	**$ (5,420,856)**	**$ 3,699,698**	**$ (1,721,158)**	$ (570,852)
Other items:				
Gain from NMTC loan forgiveness	**6,139,100**	**-**	**6,139,100**	-
Pension-related changes other than net periodic pension cost	**624,753**	**-**	**624,753**	(263,440)
Net changes in net assets	**1,342,997**	**3,699,698**	**5,042,695**	(834,292)
Net assets:				
Beginning of year	**22,165,407**	**15,696,254**	**37,861,661**	38,695,953
End of year	**$ 23,508,404**	**$ 19,395,952**	**$ 42,904,356**	$ 37,861,661

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Program Services							
	Therapeutic Youth Home	Professional Foster Parenting	Independent Living/ Transitional Living	UCAN Academy	Youth Development/ Prevention/ Other	Clinical and Counseling Services	Teen Parenting Services Network	Family-Based Services
Salaries and wages	$ 6,143,092	$ 2,048,558	$ 2,729,660	$ 4,095,808	$ 4,067,554	$ 770,130	$ 1,925,078	$ 64,504
Employee health and retirement	736,529	225,734	328,225	433,835	435,127	116,342	179,229	9,534
Payroll taxes and other employee benefits	690,907	216,973	304,562	435,932	443,613	92,882	197,304	7,643
	7,570,528	2,491,265	3,362,447	4,965,575	4,946,294	979,354	2,301,611	81,681
Program consultants/contractual	539,378	534,920	279,350	271,877	1,028,266	5,063	16,197	-
Training and staff development	6,515	373	3,570	10,476	38,469	3,482	8,740	-
Program supplies	354,348	16,129	13,871	120,288	76,886	402	3,075	-
Recreation activity	30,816	20,233	13,072	3,641	31,466	-	772	-
Tuition and school fees	80	1,026	7,049	-	13,568	-	-	-
Specific assistance	96,343	1,554,065	738,801	-	92,422	52,579	167,812	32
Rental of equipment, buildings and vehicles	19,983	694,227	270	421,992	1	-	-	-
Local transportation	12,398	76,371	57,124	9,850	87,782	249	34,352	3,030
Interest	315,040	21,460	56,138	139,993	8,181	2,167	8,810	150
Occupancy	746,306	246,113	425,026	197,113	3	-	-	-
Office and computer supplies	63,599	253,511	138,260	6,669	16,137	715	2,905	77
Telephone	122,185	24,172	37,817	10,371	65,942	12,360	28,296	1,159
Postage	15,015	3,000	223	3,375	118	81	42	-
Printing and publication	593	250	100	50	1,919	150	2,191	-
Membership dues	-	-	-	95	-	1,564	512	185
Subscription and reference material	59,725	-	196	-	2,308	750	-	-
Bad debt expense	-	-	-	-	-	-	-	-
Insurance	106,452	247,334	45,759	67,490	62,352	15,202	47,314	1,249
Gifts in-kind	-	-	-	-	-	-	-	-
Miscellaneous	37,352	44,427	30,751	4,929	380,529	1,407	743	583
	10,096,656	6,228,876	5,209,824	6,233,784	6,852,643	1,075,525	2,623,372	88,146
Depreciation	727,772	91,010	146,443	192,812	126,437	18,020	68,862	1,052
	$ 10,824,428	$ 6,319,886	$ 5,356,267	$ 6,426,596	$ 6,979,080	$ 1,093,545	$ 2,692,234	$ 89,198

(Continued)

UCAN and Affiliates

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2021 (With Comparative Totals for 2020)

	Volunteer Program	Total Program Services	Support Services: Development	Support Services: Other Support Services	Support Services: Management and General	Support Services: Total Support Services	Total 2021	Total 2020
Salaries and wages	$ 158,969	$ 22,003,353	$ 716,851	$ -	$ 3,432,145	$ 4,148,996	$ 26,152,349	$ 25,814,077
Employee health and retirement	14,777	2,479,332	51,698	-	211,432	263,130	2,742,462	2,098,594
Payroll taxes and other employee benefits	16,551	2,406,367	70,405	-	341,170	411,575	2,817,942	2,910,702
	190,297	26,889,052	838,954	-	3,984,747	4,823,701	31,712,753	30,823,373
Program consultants/contractual	9,178	2,684,229	121,575	-	1,180,292	1,301,867	3,986,096	2,965,379
Training and staff development	-	71,625	2,297	-	149,771	152,068	223,693	218,608
Program supplies	74	585,073	1,645	-	14,000	15,645	600,718	824,433
Recreation activity	1,465	101,465	4,345	-	-	4,345	105,810	120,607
Tuition and school fees	-	21,723	-	-	-	-	21,723	1,935
Specific assistance	452,251	3,154,305	-	-	-	-	3,154,305	2,975,883
Rental of equipment, buildings and vehicles	-	1,136,473	-	-	67,158	67,158	1,203,631	1,285,565
Local transportation	6,324	287,480	1,287	-	16,941	18,228	305,708	686,253
Interest	537	552,476	708	58,960	115,441	175,109	727,585	814,381
Occupancy	-	1,614,561	-	-	173,139	173,139	1,787,700	2,018,330
Office and computer supplies	29,000	510,873	37,141	-	10,855	47,996	558,869	341,361
Telephone	-	302,302	3,549	-	230,069	233,618	535,920	451,396
Postage	-	21,854	3,736	-	5,167	8,903	30,757	35,775
Printing and publication	-	5,253	50,587	-	1,902	52,489	57,742	82,812
Membership dues	-	2,356	-	-	38,382	38,382	40,738	55,565
Subscription and reference material	-	62,979	6,481	-	47,473	53,954	116,933	29,645
Bad debt expense	-	-	-	2,090,164	-	2,090,164	2,090,164	243,416
Insurance	3,382	596,534	11,240	24,434	18,931	54,605	651,139	500,550
Gifts in-kind	-	-	-	-	-	-	-	51,962
Miscellaneous	11,670	512,391	8,292	-	70,658	78,950	591,341	600,238
	704,178	39,113,004	1,091,837	2,173,558	6,124,926	9,390,321	48,503,325	45,127,467
Depreciation	2,909	1,375,317	27,243	36,557	260,072	323,872	1,699,189	1,642,916
	$ 707,087	$ 40,488,321	$ 1,119,080	$ 2,210,115	$ 6,384,998	$ 9,714,193	$ 50,202,514	$ 46,770,383

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2021 (With Comparative Totals for 2020)

		2021		2020
Cash flows from operating activities:				
Net changes in net assets	**$**	**5,042,695**	$	(834,292)
Adjustments to reconcile net changes in net assets to net cash provided by operating activities:				
Provision for bad debts		**2,090,164**		243,416
Depreciation		**1,699,189**		1,642,916
Net gain on sale of institutional properties		**(185,500)**		-
Amortization of deferred financing costs		**160,442**		194,537
Net realized/unrealized (gain) loss on investment securities		**(984,352)**		3,150
Unrealized (gain) loss on beneficial interest in trusts		**(2,741,541)**		269,936
Gain from NMTC loan forgiveness		**(6,139,100)**		-
Pension-related changes other than net periodic pension cost		**(624,753)**		263,440
Amortization of operating lease right-of-use assets		**605,974**		-
Cash paid for operating leases		**(586,694)**		-
Changes in:				
Receivables		**1,656,333**		(318,106)
Prepaid expenses and other current assets		**722,790**		(814,998)
Accounts payable and accrued expenses		**(347,297)**		22,356
Refundable advance		**525,292**		-
Accrued pension contribution and deferred compensation		**(65,493)**		(62,776)
Net cash provided by operating activities		**828,149**		609,579
Cash flows from investing activities:				
Proceeds from sales of investment securities		**1,525,000**		1,677,770
Purchases of investment securities		**(1,604,355)**		(236,909)
Proceeds from sales of institutional properties		**408,962**		-
Purchases of institutional properties		**(736,947)**		(780,856)
Net cash (used in) provided by investing activities		**(407,340)**		660,005
Cash flows from financing activities:				
Proceeds from Paycheck Protection Program loan		**6,010,500**		-
Payment of deferred financing costs		**(10,000)**		(8,500)
Net repayments on operating line of credit		**(3,352,874)**		(32,727)
Repayment of construction term loan		**(110,477)**		(103,250)
Repayment of notes payable		**(24,464)**		(24,464)
Repayment of UTHC construction term loan		**(142,217)**		(135,656)
Repayment of TIF bridge loan		**-**		(1,000,000)
Repayment of bonds payable		**(350,109)**		-
Payment of finance lease obligations		**(53,972)**		(39,153)
Net cash provided by (used in) financing activities		**1,966,387**		(1,343,750)
Increase (decrease) in cash, cash equivalents and restricted cash		**2,387,196**		(74,166)
Cash, cash equivalents and restricted cash:				
Beginning of year		**146,899**		221,065
End of year	**$**	**2,534,095**	$	146,899
Cash, cash equivalents and restricted cash:				
Cash and cash equivalents	**$**	**2,489,036**	$	13,027
NMTC restricted fee reserve cash account		**45,059**		133,872
	$	**2,534,095**	$	146,899
Supplemental disclosures of cash flow information:				
Fixed asset acquisitions financed through financing leases	**$**	**-**	$	150,699
Interest paid	**$**	**494,075**	$	601,491
Supplemental disclosure of noncash operating activites:				
Right-of-use assets obtained though operating leases	**$**	**957,720**	$	-

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 57% of its revenue from DCFS and approximately 14% of its revenue from Chicago Public Schools during 2021. Accounts receivable from DCFS and Chicago Public Schools comprised approximately 48% and 29%, respectively, of UCAN's total accounts receivable balances as of June 30, 2021.

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 with and without donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed stipulations. Net assets with donor restrictions have been restricted by donors to be maintained by UCAN in perpetuity or are those whose use by UCAN has been limited by donors to a specific time period or purpose. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2021, from which the summarized information was derived.

Cash and cash equivalents: Cash and cash equivalents 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 and grants 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. Grants receivable represent funds due from private funders for program services provided under grant agreements. 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; in fiscal 2021, approximately $365,000 was written off.

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. Realized and unrealized gains (losses) and investment and dividend income, net of related fees and costs, 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.

Leases: Prior to July 1, 2020, UCAN followed the lease accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840. Effective July 1, 2020, UCAN follows the lease accounting guidance in FASB ASC Topic 842. UCAN determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment (i.e., an identified asset) for a period of time in exchange for consideration. UCAN's contracts determined to be or contain a lease include explicitly or implicitly identified assets where UCAN has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or financing. For operating leases, UCAN has recognized a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rent. UCAN has elected to use the risk-free rate as the discount rate for all leases and for all asset classes.

UCAN defines a short-term lease as any arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. UCAN has made an accounting policy election not to recognize right-of-use assets and lease liabilities for short-term leases, as a result, short-term lease payments are recognized as expense over the lease term.

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, 2021.

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 $205,434 are net of accumulated amortization of $1,289,147 at June 30, 2021. Unamortized deferred financing costs are net against the related debt on the consolidated statement of financial position.

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

Amortization expense was $160,442 for fiscal year 2021 and is included in interest expense on the consolidated statement of functional expenses.

NMTC restricted fee reserve cash account: Certain NMTC fees payable over the seven-year compliance period were required to be deposited into an account subject to a blocked account agreement. See Note 13.

Refundable advance: Income from government grants is recognized to the extent that related barriers have been met, as described below. Amounts expended in excess of amounts received from the grantor or services provided that have not yet been paid for by the grantor are accounted for as receivables, while amounts received in excess of amounts expended or before services have been performed are recorded as a refundable advance.

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, 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). UCAN has received conditional promises to give, which generally represent unexpended government grants, amounting to approximately $3,117,000 which have not been recognized, because UCAN has not yet met the related barriers. These amounts will be subject to recognition as UCAN incurs qualifying expenses and performs its duties under the terms of the grant agreements. Contributions are reported as increases in net asset with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. UCAN 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.

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, 2021, UCAN did not receive any in-kind revenue.

Bequests from estates are generally recognized when received, which is after the probate court declares the will valid.

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

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and are presented by natural and functional classification in the consolidated 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.

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.

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.

Newly adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (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 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. UCAN concurrently adopted ASU 2021-09 *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities.*

UCAN adopted ASU 2016-02 on July 1, 2020, using the optional transition method to the modified retrospective approach. ASC Topic 842 includes practical expedient and policy election choices. UCAN elected the package of practical expedients available in the standard and as a result, did not reassess the lease classification of existing contracts or leases or the initial direct costs associated with existing leases. UCAN did elect the hindsight practical expedient, and so did re-evaluate the lease term for existing leases. UCAN does not have any lease agreements with lease and non-lease components. Refer to Note 6 for UCAN’s lease disclosure.

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

Reclassifications: Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation, with no impact to previously reported net assets or changes in net assets.

Subsequent events: UCAN has evaluated subsequent events for potential recognition and/or disclosure through August 3, 2022, the date the consolidated financial statements were issued.

Note 2. Liquidity and Availability

The following table represents the financial assets and liquidity resources available for general expenditures within one year of June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,489,036
Receivables:	
Accounts receivable	3,168,230
Grants receivable	542,472
Pledges receivable (due in less than one year)	1,474,699
Investments	10,936,765
NMTC restricted fee reserve cash account	45,059
Expected distribution from beneficial interest in trusts	573,000
Total financial assets	19,229,261
Less amounts not available to be used within one year:	
NMTC restricted fee reserve cash account	(45,059)
Investments being held as collateral	(7,984,891)
Net assets with donor-imposed restrictions	(4,033,655)
	(12,063,605)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,165,656

UCAN regularly monitors liquidity required to meet its annual operating needs. UCAN has various sources of liquidity available, including cash, marketable securities, distributions from beneficial interest in trusts and an operating line of credit. UCAN also receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures.

Note 3. Pledges Receivable

Pledges receivable are summarized as follows at June 30, 2021:

Unconditional promises expected to be collected in:	
Less than one year	$ 1,499,699
One to five years	1,775,806
	3,275,505
Less unamortized discount at 3%	(171,071)
Less allowance for uncollectibles	(177,286)
	$ 2,927,148

Note 3. Pledges Receivable (Continued)

Net pledges receivable are presented in the consolidated statement of financial position at June 30, 2021:

Current	$ 1,474,699
Long-term	1,452,449
	$ 2,927,148

Note 4. 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, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in the previous years.

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, 2021, there were no such transfers.

Investment securities: The fair value of publicly 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.

Note 4. Fair Value Measurements (Continued)

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, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 7,340,184	$ -	$ -	$ 7,340,184
Equity mutual funds:				
U.S. equity index	1,226,018	-	-	1,226,018
Large growth	1,328,683	-	-	1,328,683
International	1,041,340	-	-	1,041,340
Fixed income mutual fund	540	-	-	540
Beneficial interest in trusts	-	-	13,909,848	13,909,848
	$ 10,936,765	$ -	$ 13,909,848	$ 24,846,613

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, 2020	$ 11,168,307
Unrealized gains on beneficial interest in trusts	2,741,541
Balance, June 30, 2021	$ 13,909,848

Note 5. 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 13). These loans accrued interest at a fixed rate, with interest only payable quarterly at a rate of 1% over the first seven years (Compliance Period); quarterly principal and interest (stated rate) payments were required through 2044. Upon the expiration of the Compliance Period in April 2021, UCAN exercised its rights to terminate the NMTC program. This action resulted in forgiveness of these loans as well as the extinguishment of UTHC's debt described in Note 13. This action resulted in a gain on termination of $6,139,100.

Note 5. NMTC Leveraged Loans Receivable (Continued)

In 2015, UCAN made additional leveraged loans to two QEIs under a separate NMTC deal. The loans accrue interest at a fixed rate, with interest-only payable quarterly at rates ranging from 1.07% to 1.49% over the first seven years (Compliance Period); quarterly principal and interest (stated rate) payments are then required through 2045.

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 13. Interest income was $123,575 for the year ended June 30, 2021.

Notes receivable at June 30, 2021, are as follows:

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
	$ 5,846,160

Note 6. Lease Obligations

UCAN leases buildings and vehicles under leases classified as operating and finance leases, respectively. The building leases end in November 2021, December 2021, and June 2023. UCAN's vehicle leases end in October 2023 and October 2024. Finance lease right-of-use assets with a net book value of $170,303 are included in motor vehicles on the consolidated statement of financial position. Operating lease right-of-use assets are reflected as operating right-of-use assets on the consolidated statement of financial position at June 30, 2021. The interest rate related to the lease obligations is the risk-free rate calculated at 1%. Additionally, UCAN has various short-term leases with a term of one year or less both for agency use and for residential use by program participants. Lease cost for the year ended June 30, 2021, is as follows:

Finance lease cost:	
Amortization of right-of-use assets	$ 57,302
Interest on lease liabilities	8,462
Operating lease cost	617,672
Short-term lease costs	520,195
	$ 1,203,631

Weighted-average remaining lease term—finance leases	2.7 years
Weighted-average remaining lease term—operating leases	1.86 years

Note 6. Lease Obligations (Continued)

Lease payments due over each of the next four years:

	Operating	Finance
2022	$ 522,074	$ 61,943
2023	444,785	61,943
2024	-	43,023
2025	-	11,187
	966,859	178,096
Less amounts representing interest	(9,139)	(63,217)
Total obligation	$ 957,720	$ 114,879

Note 7. Beneficial Interest in Trusts

Beneficial interest in trusts is comprised of nine separate trusts comprised primarily of securities with readily determined market values. 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 $13,909,848 at June 30, 2021, 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 $573,198 for the year ended June 30, 2021.

Note 8. 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. There were employer contributions of $31,500 made in 2021.

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, 2021, was $7,887 and has been recorded as a current liability at June 30, 2021.

Note 9. 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 did 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 net assets without donor restrictions in the year in which the changes occur.

Note 9. 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	$ 4,077,174
Interest cost	108,639
Actuarial loss	70,068
Benefits paid	(142,657)
Projected benefit obligation, end of year	4,113,224
Change in plan assets:	
Plan assets at fair value, beginning of year	3,034,404
Actual return on plan assets	816,453
Benefits paid	(142,657)
Employer contributions	31,500
Plan assets at fair value, end of year	3,739,700
Funded status—benefit obligation in excess of plan assets (liability on the consolidated statement of financial position)	$ 373,524
Accumulated benefit obligation	$ 4,113,224
Components of periodic benefit cost and other amounts recognized in net assets without donor restriction:	
Interest cost	$ 108,639
Expected return on plan assets	(204,748)
Amortization of net loss	83,116
	(12,993)
Other amounts recognized in net assets without donor restrictions:	
Net actuarial loss reclassified from net assets without donor restrictions to net periodic pension cost	83,116
Current year net gain	541,637
Total recognized in net assets without donor restrictions	624,753
Total gain recognized in net periodic benefit cost and net assets without donor restrictions	$ (637,746)
Benefits paid	$ 142,657
Employer contribution	$ 31,500
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, 2021	$ 548,751

Note 9. Employee Pension Plan (Continued)

It is estimated that $13,910 of net actuarial gain will be recognized as a component of net periodic pension cost for the year ending June 30, 2022.

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2021, and the net periodic pension cost for the year ended June 30, 2021. These rates were selected based upon current market conditions, UCAN's experience and future expectations.

	Pension Obligation	Net Periodic Pension Cost
Discount rate	2.60%	2.70%
Expected rate of return on plan assets	7.00%	7.00%
Rate of increase in future compensation	N/A	N/A

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

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, 2021, plan assets were comprised of approximately 77% equity mutual funds and 23% fixed income mutual funds. The plan targets the asset mix to be 70% equity funds and 30% bond funds. As determined by UCAN's actuary, the estimated contribution to the plan for fiscal year 2021 is $2,305.

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, 2021.

	Level 1	Level 2	Level 3	Total
Money market	$ 12,816	$ -	$ -	$ 12,816
Equity mutual funds:				
Large blend	2,494,708	-	-	2,494,708
International	38,492	-	-	38,492
Small growth	341,168	-	-	341,168
Fixed income mutual funds:				
Intermediate-term	852,516	-	-	852,516
	$ 3,739,700	$ -	$ -	$ 3,739,700

Note 9. Employee Pension Plan (Continued)

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

2022	$ 2,305
2023	229,724
2024	243,432
2025	249,249
2026	244,862
2027	239,312
2028-2032	1,171,506

Note 10. 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 October 2021. Subsequent to year-end, UCAN extended the line to July 2022. Under the terms of this agreement, these borrowings bear interest at either one month LIBOR plus 1.4375% (1.5235% at June 30, 2021) 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. UCAN had $205,011 outstanding under this line of credit on June 30, 2021. The line of credit agreement contains a provision that UCAN maintain a debt service ratio of 1.15 to 1.

Note 11. Bonds Payable

A summary of bonds payable at June 30, 2021, is as follows:

2002 Variable Rate Demand Reserve Bonds (average interest rate of 1.28% during 2020) principal fully due in 2033	$ 4,000,000
2006 Adjustable Rate Demand Reserve Bonds (average interest rate of 1.28% during 2020) principal fully due in 2036	3,985,000
	7,985,000
Less deferred financing costs, net of amortization	(130,631)
	$ 7,854,369

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 2023. Subsequent to year-end, the letter of credit was renewed and will expire in November 2023. 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 2023.

Note 11. Bonds Payable (Continued)

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 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 10.

Note 12. Notes Payable

UCAN has a term note payable to US Bank originally dated February 2014 and modified from time to time, most recently in 2019. The note matures in April 2024, at which time the entire remaining balance will become due. The note bears interest at Monthly LIBOR plus 2% and is secured by UCAN's residential buildings. Scheduled future principal payments on the note are as follows:

2022	$	16,542
2023		17,285
2024		153,729
	$	187,556

Note 13. 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 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).

All loans had a maturity date of April 30, 2044. The applicable interest rates ranged from 0.67% and 1.49% simple interest. The loans were collateralized by essentially all UTHC property and equipment.

The first seven years of the NMTC program were defined as the Compliance Period. Only interest was paid during the Compliance Period. Thereafter, the loans were amortized with principal and interest payments required through the maturity date in the year ending June 30, 2044.

Upon the expiration of the Compliance Period in April 2021, UCAN and UTHC executed a series of debt assignment agreements with its NMTC funders to terminate the NMTC program on April 15, 2021. This series of debt assignment agreements included the cancellation of UCAN's $15,460,900 NMTC notes receivable (Note 5) and UCAN's forgiveness of UTHC's debt amounting to $21,600,000. The termination of this NMTC program resulted in a net gain of $6,139,100. It is expected that UTHC will ultimately dissolve and transfer ownership of its underlying properties to UCAN.

Note 13. NMTC Notes Payable (Continued)

In 2015, UTHC II obtained financing under a similar arrangement under the NMTC program. These loans made to UTHC II by the CDEs in 2015 and outstanding at June 30, 2021, 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

UTHC II NMTC notes payable	$ 11,720,000
Less deferred financing costs, net of amortization	(75,397)
Total NMTC notes payable	$ 11,644,603

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

UTHC II loans have a maturity date of August 4 and October 7, 2045. Applicable interest rates range between 0.67% and 1.49% 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 2045. The loans can be repaid any time after the Compliance Period.

There are put and call agreements between 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 II has 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 II 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 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 II would forgive the NMTC notes receivable).

The loans are collateralized by essentially all UTHC II property and equipment. UTHC II 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 II 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 $0 for UTHC and $45,059 for UTHC II at June 30, 2021.

Note 14. Construction Term Loans

On April 15, 2014, UTHC secured a seven-year commercial term loan mortgage in the amount of $2,000,000 from Urban Partnership Bank. The note carries a fixed interest rate of 4.75% per annum. As of June 30, 2021, UTHC had an outstanding balance of $864,926 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.

Note 14. Construction Term Loans (Continued)

Scheduled future principal payments on the note are as follows:

2022	$	187,544
2023		187,544
2024		187,544
2025		187,544
2026		114,750
		864,926
Less deferred financing costs, net of amortization		485
	$	865,411

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% until April 1, 2022 and after equal to the five year LIBOR swap rate plus 325 basis points until expiration. UCAN had $1,578,454 outstanding on this loan on June 30, 2021. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home. This loan includes a covenant requiring a simple debt service coverage ratio of 1.25 or better measured on an annual basis.

Scheduled future principal payments on the note are as follows:

2022	$	115,242
2023		120,836
2024		126,703
2025		132,854
Thereafter		1,082,819
	$	1,578,454

Note 15. TIF Bridge Loan

On April 15, 2014, UCAN received a term loan note payable in the amount of $2,500,000 from Fifth Third Bank which was scheduled to mature on February 5, 2021. Under the terms of this agreement, these borrowings bore interest at LIBOR plus 3.15%. The note was 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, 2021, UCAN has received five TIF distributions totaling $2,500,000 from the City of Chicago as outlined in the TIF Redevelopment Agreement. On October 23, 2019, UCAN paid off the loan with collateralized funds held at Fifth Third Bank.

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

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

Note 17. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021, are available for the following purposes:

Subject to spending for a specific purpose:	
John E. Rooney Scholarship Fund	$ 249,405
Power of Potential Campaign (violence prevention, workforce development, and behavioral health programs)	2,586,477
Violence Prevention Funds	722,981
Future Leaders Now	871,500
Youth Development	183,328
High-Risk Infants	129,167
Youth Scholarships	154,403
Other	239,569
	5,136,830
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 for UCAN residents	18,500
Grace Claussen—Samuels Building	3,302
Other FamilyCare of Illinois net assets	313,084
	349,274
Endowment required to be maintained in perpetuity:	
Perpetual trusts*	13,909,848
	14,259,122
	$ 19,395,952

*The income from perpetual trusts is not subject to donor-imposed stipulations.

As of June 30, 2021, 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 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 was added to the fund. The earnings on the donor-restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by UCAN in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 17. Net Assets with Donor Restrictions (Continued)

The changes in endowment net assets were as follows for the year ended June 30, 2021:

Balance, July 1, 2020	$ 11,517,581
Investment return	2,741,541
Balance, June 30, 2021	$ 14,259,122

Beneficial interest in trusts: $13,909,848 of the total June 30, 2021, endowment balance of $14,259,122 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 $394,274 at June 30, 2021, 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% 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, UCAN'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.

Over the long-term, the spending policy for UCAN'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 18. 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.