UCAN and Affiliates

Consolidated Financial Report
June 30, 2022

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
UCAN and Affiliates

Opinion
We have audited the consolidated financial statements of UCAN and Affiliates (UCAN), which comprise the consolidated statement of financial position as of June 30, 2022, 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, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UCAN as of June 30, 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor’s 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 audits. 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 the 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 issued or available to be issued.

Auditor's 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 auditor’s 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 GAAS 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 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 GAAS, 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.

Report on Summarized Comparative Information

We have previously audited UCAN's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
June 16, 2023

UCAN and Affiliates

Consolidated Statement of Financial Position
June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 196,536**	$ 2,489,036
Accounts receivable, net of allowance for doubtful accounts of $2,481,541 for 2022 and 2,481,541 for 2021	**12,157,019**	3,168,230
Grants receivable	**507,607**	542,472
Pledges receivable, net of allowance for doubtful accounts of $152,286 for 2022 and $152,286 for 2021	**785,310**	1,474,699
Prepaid expenses and other current assets	**245,254**	421,078
	13,891,726	8,095,515
Pledges receivable, net of allowance for doubtful accounts of $25,000 for 2022 and $25,000 for 2021	**962,803**	1,452,449
Investments	**8,114,167**	10,936,765
Operating lease right-of-use assets	**419,606**	938,440
Institutional properties:		
Land	**3,036,630**	3,036,630
Land improvements	**330,147**	330,147
Buildings and improvements	**44,002,966**	43,958,590
Furniture and equipment	**7,777,288**	7,618,456
Leasehold improvements	**137,735**	137,735
Motor vehicles	**671,168**	671,168
Works of art	**35,000**	35,000
Construction in progress	**148,257**	-
	56,139,191	55,787,726
Less accumulated depreciation	**(17,789,009)**	(16,168,065)
	38,350,182	39,619,661
NMTC restricted fee reserve cash account	**23,802**	45,059
NMTC leveraged loans receivable	**5,846,160**	5,846,160
Beneficial interest in trusts	**11,411,427**	13,909,848
	17,281,389	19,801,067
	$ 79,019,873	$ 80,843,897

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UCAN and Affiliates

Consolidated Statement of Financial Position (Continued)
June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 2,050,755**	$ 1,044,209
Accrued expenses	**923,720**	688,372
Refundable advance	**2,664,675**	1,539,330
Accrued payroll and benefits	**1,536,769**	2,508,843
Accrued vacation	**1,026,574**	1,014,107
Deferred compensation	**4,887**	7,887
Operating line of credit	**2,885,670**	205,011
Current portion of notes payable, net	**17,641**	16,542
Current portion of construction term loan	**191,645**	115,242
Current portion of UTHC construction term loan	**-**	187,544
Current portion of operating lease obligations	**442,550**	515,149
Current portion of finance lease obligations	**58,293**	55,835
Current portion of bonds payable	**7,867,552**	-
	19,670,731	7,898,071
Long-term liabilities:		
Notes payable, net	**145,452**	171,014
Construction term loan, net	**2,079,726**	1,463,212
UTHC construction term loan, net	**-**	677,867
Federal Home Loan Bank note, net	**1,288,931**	1,288,931
NMTC notes payable, net	**11,713,326**	11,644,603
Paycheck Protection Program loan	**-**	6,010,500
Bonds payable, net	**-**	7,854,369
Operating lease obligations	**-**	442,571
Finance lease obligations	**23,852**	114,879
Accrued pension	**224,765**	373,524
	15,476,052	30,041,470
Net assets:		
Without donor restrictions	**26,300,437**	23,508,404
With donor restrictions	**17,572,653**	19,395,952
	43,873,090	42,904,356
	$ 79,019,873	$ 80,843,897

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support, revenue and gains:				
Program support:				
Government	$ 41,383,371	$ -	$ 41,383,371	$ 37,585,720
Private agency/third-party	79,652	-	79,652	51,435
Other/miscellaneous	16,219	-	16,219	200,370
	41,479,242	-	41,479,242	37,837,525
Public support:				
Contributions	1,379,746	958,194	2,337,940	1,526,461
Bequests	3,250	-	3,250	7,316
Foundations	146,150	1,477,449	1,623,599	3,422,411
Benefit income, net of expenses of $69,299 and $90,751, respectively	511,814	-	511,814	654,011
Trust income	577,984	-	577,984	573,198
	2,618,944	2,435,643	5,054,587	6,183,397
Revenue and gains (losses):				
Gain on Payroll Protection Loan Forgiveness	6,010,500	-	6,010,500	-
Investment and dividend income, net	3,089	-	3,089	33,661
Net realized and unrealized gain (loss)	(625,688)	(2,498,421)	(3,124,109)	3,725,893
Net gain on sale of institutional properties	73,534	-	73,534	185,500
Rental income	2,380	-	2,380	15,380
TIF redevelopment revenues	-	-	-	500,000
	5,463,815	(2,498,421)	2,965,394	4,460,434
Net assets released from restrictions:				
Satisfaction of donor/funder restrictions	1,760,521	(1,760,521)	-	-
	51,322,522	(1,823,299)	49,499,223	48,481,356
Expenses:				
Program services:				
Therapeutic youth home	10,309,666	-	10,309,666	10,824,428
Professional foster parenting	5,923,705	-	5,923,705	6,319,886
Independent living/transitional living	4,791,429	-	4,791,429	5,356,267
UCAN academy	6,016,079	-	6,016,079	6,426,596
Youth development/prevention/other	7,642,372	-	7,642,372	6,979,080
Clinical and counseling services	1,444,194	-	1,444,194	1,093,545
Teen parenting services network	2,707,737	-	2,707,737	2,692,234
Family-based services	21,705	-	21,705	89,198
Volunteer program	730,072	-	730,072	707,087
	39,586,959	-	39,586,959	40,488,321
Support services:				
Development	975,694	-	975,694	1,119,080
Other support services	-	-	-	2,210,115
Management and general	8,013,461	-	8,013,461	6,384,998
	8,989,155	-	8,989,155	9,714,193
	48,576,114	-	48,576,114	50,202,514

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UCAN and Affiliates

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Net changes in net assets before other items	$ 2,746,408	$ (1,823,299)	$ 923,109	$ (1,721,158)
Other items:				
Gain from NMTC loan forgiveness	-	-	-	6,139,100
Pension-related changes other than net periodic pension cost	45,625	-	45,625	624,753
Net changes in net assets	2,792,033	(1,823,299)	968,734	5,042,695
Net assets:				
Beginning of year	23,508,404	19,395,952	42,904,356	37,861,661
End of year	$ 26,300,437	$ 17,572,653	$ 43,873,090	$ 42,904,356

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	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	$ 5,770,558	$ 1,955,521	$ 2,347,791	$ 3,662,599	$ 4,358,514	$ 791,085	$ 2,061,341	$ 16,541
Employee health and retirement	380,763	66,409	174,165	120,792	139,442	452,671	185,565	2,055
Payroll taxes and other employee benefits	658,405	207,319	266,475	393,688	475,675	83,621	232,552	2,213
	6,809,726	2,229,249	2,788,431	4,177,079	4,973,631	1,327,377	2,479,458	20,809
Program consultants/contractual	361,642	451,966	375,856	604,453	1,336,793	3,165	15,659	-
Training and staff development	8,143	1,802	7,493	17,037	107,731	7,098	2,940	-
Program supplies	348,332	30,708	20,257	154,960	75,832	2,806	1,986	212
Recreation activity	32,228	25,892	9,577	4,023	38,719	-	465	-
Tuition and school fees	-	40	5,807	-	5,000	-	-	-
Specific assistance	61,491	2,386,710	523,269	-	852,436	24,856	140,407	-
Rental of equipment, buildings and vehicles	24,364	2,582	263,040	409,992	-	-	-	-
Local transportation	5,831	124,171	83,395	827	90,867	1,090	32,039	98
Interest	205,050	22,181	50,761	110,772	349	2,792	227	-
Occupancy	594,022	451,045	376,951	193,784	4,709	25,901	-	-
Office and computer supplies	-	-	-	-	-	-	-	-
Telephone	134,494	19,121	31,562	9,098	43,425	7,940	16,746	586
Postage	8,613	4,721	178	2,482	14	70	-	-
Printing and publication	100	150	-	-	1,100	50	777	-
Membership dues	-	-	-	-	-	-	157	-
Subscription and reference material	31,084	-	114	-	2,330	150	-	-
Bad debt expense	-	-	-	-	-	-	-	-
Insurance	475,535	51,739	94,543	94,060	932	25,947	6,702	-
Miscellaneous	110,047	38,510	32,755	3,034	106,708	201	8,905	-
	9,210,702	5,840,587	4,663,989	5,781,601	7,640,576	1,429,443	2,706,468	21,705
Depreciation	1,098,964	83,118	127,440	234,478	1,796	14,751	1,269	-
	$ 10,309,666	$ 5,923,705	$ 4,791,429	$ 6,016,079	$ 7,642,372	$ 1,444,194	$ 2,707,737	$ 21,705

(Continued)

UCAN and Affiliates

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Volunteer Program	Total Program Services	Support Services Development	Support Services Management and General	Support Services Total Support Services	Total 2022	Total 2021
Salaries and wages	$ 160,289	$ 21,124,239	$ 524,013	$ 3,398,811	$ 3,922,824	$ 25,047,063	$ 26,152,349
Employee health and retirement	5,014	1,526,876	16,861	596,692	613,553	2,140,429	2,742,462
Payroll taxes and other employee benefits	16,899	2,336,847	55,306	372,235	427,541	2,764,388	2,817,942
	182,202	24,987,962	596,180	4,367,738	4,963,918	29,951,880	31,712,753
Program consultants/contractual	2,093	3,151,627	236,819	2,361,109	2,597,928	5,749,555	3,986,096
Training and staff development	-	152,244	1,372	97,118	98,490	250,734	223,693
Program supplies	7,233	642,326	45,558	249,798	295,356	937,682	600,718
Recreation activity	132	111,036	3,144	-	3,144	114,180	105,810
Tuition and school fees	-	10,847	-	-	-	10,847	21,723
Specific assistance	476,101	4,465,270	-	-	-	4,465,270	3,154,305
Rental of equipment, buildings and vehicles	-	699,978	-	14,500	14,500	714,478	1,203,631
Local transportation	48,139	386,457	230	13,264	13,494	399,951	305,708
Interest	-	392,132	-	92,914	92,914	485,046	727,585
Occupancy	-	1,646,412	-	85,804	85,804	1,732,216	1,787,700
Office and computer supplies	-	-	-	3,158	3,158	3,158	558,869
Telephone	-	262,972	3,150	249,065	252,215	515,187	535,920
Postage	-	16,078	1,215	4,332	5,547	21,625	30,757
Printing and publication	-	2,177	60,222	1,187	61,409	63,586	57,742
Membership dues	100	257	6	34,887	34,893	35,150	40,738
Subscription and reference material	-	33,678	5,848	198,929	204,777	238,455	116,933
Bad debt expense	-	-	-	-	-	-	2,090,164
Insurance	-	749,458	879	85,268	86,147	835,605	651,139
Miscellaneous	14,072	314,232	21,071	75,148	96,219	410,451	591,341
	730,072	38,025,143	975,694	7,934,219	8,909,913	46,935,056	48,503,325
Depreciation	-	1,561,816	-	79,242	79,242	1,641,058	1,699,189
	$ 730,072	$ 39,586,959	$ 975,694	$ 8,013,461	$ 8,989,155	$ 48,576,114	$ 50,202,514

See notes to consolidated financial statements.

UCAN and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Net changes in net assets	**$ 968,734**	$ 5,042,695
Adjustments to reconcile net changes in net assets to net cash		
(used in) provided by operating activities:		
Provision for bad debts	**-**	2,090,164
Depreciation	**1,641,058**	1,699,189
Net gain on sale of institutional properties	**(73,534)**	(185,500)
Amortization of deferred financing costs	**215,048**	160,442
Net realized/unrealized (gain) loss on investment securities	**625,688**	(984,352)
Unrealized (gain) loss on beneficial interest in trusts	**2,498,421**	(2,741,541)
Gain from NMTC loan forgiveness	**-**	(6,139,100)
Gain from PPP loan forgiveness	**(6,010,500)**	-
Pension-related changes other than net periodic pension cost	**(45,625)**	(624,753)
Amortization of operating lease right-of-use assets	**517,677**	605,974
Cash paid for operating leases	**(514,013)**	(586,694)
Changes in:		
Receivables	**(7,774,889)**	1,656,333
Prepaid expenses and other current assets	**175,824**	722,790
Accounts payable and accrued expenses	**282,287**	(347,297)
Refundable advance	**1,125,345**	525,292
Accrued pension contribution and deferred compensation	**(106,134)**	(65,493)
Net cash (used in) provided by operating activities	**(6,474,613)**	828,149
Cash flows from investing activities:		
Proceeds from sales of investment securities	**2,205,000**	1,525,000
Purchases of investment securities	**(8,090)**	(1,604,355)
Proceeds from sales of institutional properties	**131,692**	408,962
Purchases of institutional properties	**(429,737)**	(736,947)
Net cash provided by (used in) investing activities	**1,898,865**	(407,340)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	**-**	6,010,500
Proceeds from new construction loan (Providence note)	**2,424,903**	
Repayment of deferred financing costs	**(133,626)**	(10,000)
Net borrowing on operating line of credit	**2,680,659**	(3,352,874)
Repayment of construction term loan	**(1,578,454)**	(110,477)
Repayment of Providence note	**(153,532)**	-
Repayment of notes payable	**(24,464)**	(24,464)
Repayment of UTHC construction term loan	**(864,926)**	(142,217)
Repayment of bonds payable	**-**	(350,109)
Payment of finance lease obligations	**(88,569)**	(53,972)
Net cash provided by financing activities	**2,261,991**	1,966,387
(Decrease) increase in cash, cash equivalents and restricted cash	**(2,313,757)**	2,387,196
Cash, cash equivalents and restricted cash:		
Beginning of year	**2,534,095**	146,899
End of year	**$ 220,338**	$ 2,534,095

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UCAN and Affiliates

Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2022 (With Comparative Totals for 2021)

		2022		2021
Cash, cash equivalents and restricted cash:				
Cash and cash equivalents	**$**	**196,536**	$	2,489,036
NMTC restricted fee reserve cash account		**23,802**		45,059
	$	**220,338**	$	2,534,095
Supplemental disclosures of cash flow information:				
Interest paid	**$**	**377,918**	$	494,075
Supplemental disclosure of noncash operating activities:				
Right-of-use assets obtained though operating leases	**$**	**423,270**	$	957,720
Supplemental disclosure of noncash financing activities:				
PPP loan forgiveness	**$**	**(6,010,500)**	$	-

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

UCAN and Affiliates (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 54% of its revenue from DCFS and approximately 13% of its revenue from Chicago Public Schools during 2022. Accounts receivable from DCFS and Chicago Public Schools comprised approximately 26% and 53%, respectively, of UCAN's total accounts receivable balances as of June 30, 2022.

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 will refer to UCAN, UTHC and UTHC II, collectively, unless otherwise indicated. UTHC has been dissolved on August 18, 2021.

Principles of consolidation: The consolidated financial statements include the accounts of UCAN and its remaining affiliate 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, 2022, 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.

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

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 2022, none were written off.

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: 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, 2022.

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

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 $124,013 are net of accumulated amortization of $1,198,112 at June 30, 2022. Unamortized deferred financing costs are net against the related debt on the consolidated statement of financial position.

Amortization expense was $215,048 for fiscal year 2022 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 $1,169,833, 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.

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

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

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 II was organized and incorporated in Illinois as a not-for-profit organization in February 2014. UTHC II has received a favorable determination letter from the Internal Revenue Service stating that it is 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 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.

Subsequent events: UCAN has evaluated subsequent events for potential recognition and/or disclosure through June 16,2023, the date the consolidated financial statements were issued. On October 6, 2022, UTHC II was dissolved.

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, 2022:

Financial assets at year-end:	
Cash and cash equivalents	$ 196,536
Receivables:	
Accounts receivable	12,157,019
Grants receivable	507,607
Pledges receivable (due in less than one year)	785,310
Investments	8,114,167
NMTC restricted fee reserve cash account	23,802
Expected distribution from beneficial interest in trusts	578,000
Total financial assets	22,362,441
Less amounts not available to be used within one year:	
NMTC restricted fee reserve cash account	(23,802)
Investments being held as collateral	(7,984,891)
Net assets with donor-imposed restrictions	(5,198,423)
	(13,207,116)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,155,325

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, 2022:

Unconditional promises expected to be collected in:	
Less than one year	$ 810,310
One to five years	1,286,160
	2,096,470
Less unamortized discount at 3%	(171,071)
Less allowance for uncollectibles	(177,286)
	$ 1,748,113

Net pledges receivable are presented in the consolidated statement of financial position at June 30, 2022:

Current	$ 785,310
Long-term	962,803
	$ 1,748,113

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, 2022, 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.

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, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,130,815	$ -	$ -	$ 5,130,815
Equity mutual funds:				
U.S. equity index	1,051,415	-	-	1,051,415
Large growth	1,097,403	-	-	1,097,403
International	834,053	-	-	834,053
Fixed-income mutual fund	481	-	-	481
Beneficial interest in trusts	-	-	11,411,427	11,411,427
	$ 8,114,167	$ -	$ 11,411,427	$ 19,525,594

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, 2021	$ 13,909,848
Unrealized losses on beneficial interest in trusts	(2,498,421)
Balance, June 30, 2022	$ 11,411,427

Note 5. NMTC Leveraged Loans Receivable

In 2015, UCAN made 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.

Notes receivable at June 30, 2022, 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. Two of the three building leases ended in November 2021, December 2021, with the remaining lease ending in 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 $82,145 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, 2022. The interest rate related to the lease obligations is the risk-free rate calculated at 3%. Lease cost for the year ended June 30, 2022, is as follows:

Finance lease cost:	
Amortization of right-of-use assets	$ 55,835
Interest on lease liabilities	6,108
Operating lease cost	514,013
Short-term lease costs	138,522
	$ 714,478
Weighted-average remaining lease term—finance leases	2.10 years
Weighted-average remaining lease term—operating leases	0.94 years

Note 6. Lease Obligations (Continued)

Lease payments due over each of the next four years:

	Operating	Finance
2023	$ 444,785	$ 75,494
2024	-	55,031
2025	-	26,649
2026	-	2,349
	444,785	159,523
Less amounts representing interest	(2,235)	(135,671)
Total obligation	$ 442,550	$ 23,852

Note 7. Beneficial Interest in Trusts

Beneficial interest in trusts is comprised of ten 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 $11,411,427 at June 30, 2022, 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 $577,984 for the year ended June 30, 2022.

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 $12,474 made in 2022.

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	$	4,113,224
Interest cost		105,394
Actuarial loss		(615,794)
Benefits paid		(149,887)
Settlements		(229,418)
Projected benefit obligation, end of year		3,223,519
Change in plan assets:		
Plan assets at fair value, beginning of year		3,739,700
Actual return on plan assets		(374,115)
Benefits paid		(149,887)
Employer contributions		12,474
Settlements		(229,418)
Plan assets at fair value, end of year		2,998,754
Funded status—benefit obligation in excess of plan assets (liability on the consolidated statement of financial position)	$	224,765
Accumulated benefit obligation	$	3,223,519
Components of periodic benefit cost and other amounts recognized in net assets without donor restriction:		
Interest cost	$	105,394
Expected return on plan assets		(253,233)
Amortization of net loss		21,371
Costs recognized due to Settlement		35,808
		(90,660)
Other amounts recognized in net assets without donor restrictions:		
Net actuarial loss reclassified from net assets without donor restrictions to net periodic pension cost		(21,371)
Current-year net gain		11,554
Settlement loss		(35,808)
Total recognized in net assets without donor restrictions		(45,625)
Total gain recognized in net periodic benefit cost and net assets without donor restrictions	$	(45,035)
Benefits paid	$	149,887
Employer contribution	$	12,474
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, 2022	$	503,126

Note 9. Employee Pension Plan (Continued)

The table below sets forth the weighted-average assumptions used to determine the benefit obligation at June 30, 2022, and the net periodic pension cost for the year ended June 30, 2022. These rates were selected based upon current market conditions, UCAN's experience and future expectations.

	Pension Obligation	Net Periodic Pension Cost
Discount rate	4.50%	2.60%
Expected rate of return on plan assets	6.50%	6.50%
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, 2022, 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 2022 is $258,704.

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, 2022.

	Level 1	Level 2	Level 3	Total
Money market	$ 13,290	$ -	$ -	$ 13,290
Equity mutual funds:				
Large blend	1,944,049	-	-	1,944,049
International	8,609	-	-	8,609
Small growth	258,866	-	-	258,866
Fixed-income mutual funds:				
Intermediate term	773,940	-	-	773,940
	$ 2,998,754	$ -	$ -	$ 2,998,754

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

2023	$ 258,704
2024	263,953
2025	259,023
2026	252,841
2027	251,088
2028-2032	1,199,987

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 July 2023. Under the terms of this agreement, these borrowings bear interest at either one month LIBOR plus 1.4375% (3.03597% at June 30, 2022) 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 $2,885,670 outstanding under this line of credit on June 30, 2022. 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, 2022, is as follows:

2002 Variable Rate Demand Reserve Bonds (average interest rate of 1.51% during 2022) principal fully due in 2033	$ 4,000,000
2006 Adjustable Rate Demand Reserve Bonds (average interest rate of 1.51% during 2022) principal fully due in 2036	3,985,000
	7,985,000
Less deferred financing costs, net of amortization	(117,448)
	$ 7,867,552

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. 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.

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.

Note 11. Bonds Payable (Continued)

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, 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 11. As of June 30, 2022, UCAN was not in compliance with the unrestricted cash and investment debt covenant, and has requested a waiver from their bank. Due to the noncompliance with the covenant, bonds payable is shown as a current liability on the statement of financial position.

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:

2023	$ 17,641
2024	145,452
	$ 163,093

Note 13. NMTC Notes Payable

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, 2022, 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	(6,674)
Total NMTC notes payable	$ 11,713,326

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.

Note 13. NMTC Notes Payable (Continued)

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 $23,802 for UTHC II at June 30, 2022.

Note 14. Construction Term Loans

UCAN 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%. UCAN had $2,271,371 outstanding on this loan on June 30, 2022. The note is collateralized by a first lien encumbrance upon the Therapeutic Youth Home. Scheduled future principal payments on the note are as follows:

2023	$ 191,645
2024	200,068
2025	208,861
2026	218,041
Thereafter	1,452,756
	$ 2,271,371

Note 15. Federal Home Loan Bank Note and Affordable Housing Grant

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

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022, 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)	2,842,224
Violence Prevention Funds	515,926
Future Leaders Now	740,657
Youth Development	265,083
High-Risk Infants	262,500
Youth Scholarships	144,841
Clinical Services	26,250
Other	765,066
	5,811,952
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*	11,411,427
	11,760,701
	$ 17,572,653

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

As of June 30, 2022, 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 16. Net Assets with Donor Restrictions (Continued)

The changes in endowment net assets were as follows for the year ended June 30, 2022:

Balance, July 1, 2021	$ 14,259,122
Investment return	(2,498,421)
Balance, June 30, 2022	$ 11,760,701

Beneficial interest in trusts: $11,411,427 of the total June 30, 2022, endowment balance of $11,760,701 is held in trusts that are not controlled by UCAN. The income from the trusts is unrestricted. UCAN's spending policy related to the trusts is to utilize any income distributed for operating purposes.

Other Endowment Assets: The Other Endowment Assets of $349,274 at June 30, 2022, 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 17. Contingencies

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