One Hope United

Consolidated Financial Report
June 30, 2018

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Contents

Independent Auditor's Report

To the Board of Directors
One Hope United

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of One Hope United, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the 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 audits. We conducted our audits 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 One Hope United as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
February 1, 2019

One Hope United

Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 452,860	$ 1,452,849
Accounts receivable, less allowances for doubtful accounts of $125,830 in 2018 and $85,897 in 2017	7,514,883	7,143,250
Other current assets	1,632,848	1,521,068
Total current assets	9,600,591	10,117,167
Contribution receivable - restricted	-	157,167
Property and equipment:		
Land and buildings	19,096,263	19,108,739
Building improvements	3,720,503	3,433,866
Furniture and equipment	2,371,655	3,026,315
Vehicles	278,605	345,232
Leasehold improvements	869,182	641,348
	26,336,208	26,555,500
Less accumulated depreciation	10,792,332	11,223,756
Total property and equipment	15,543,876	15,331,744
Long-term assets:		
Investments in securities	11,960,214	11,544,572
Investments in farm land	3,045,840	4,192,000
Leveraged loan receivable	6,910,576	6,910,576
Beneficial interest in perpetual trusts	2,705,248	2,760,918
Investments held for deferred compensation	-	225,554
Note receivable	9,946	125,000
Other long-term assets	41,200	41,200
Total long-term assets	24,673,024	25,799,820
	$ 49,817,491	$ 51,405,898
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 992,745	$ 870,884
Accrued expenses	3,707,964	3,571,734
Deferred revenue	600,517	683,247
Note payable - Dunham fund	-	125,000
Line of credit	2,555,000	-
Mortgage loan	-	1,695,594
Total current liabilities	7,856,226	6,946,459
Long-term liabilities:		
Investments held for deferred compensation	-	225,554
NMTC notes payable, net	9,792,038	9,727,219
Total long-term liabilities	9,792,038	9,952,773
	17,648,264	16,899,232
Net assets:		
Unrestricted	29,182,233	31,396,615
Temporarily restricted	281,746	349,133
Permanently restricted	2,705,248	2,760,918
Total net assets	32,169,227	34,506,666
	$ 49,817,491	$ 51,405,898

See notes to consolidated financial statements.

One Hope United

Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Changes in unrestricted net assets:		
Public support and revenue:		
Dept. of Children and Family Services - Illinois	**$ 18,769,588**	$ 19,328,518
Dept. of Human Services - Illinois	**9,009,641**	9,209,946
Other government funding	**7,138,592**	6,123,431
Program service fees	**4,769,405**	4,448,093
Contributions and bequests	**1,391,677**	1,235,573
In-kind contributions	**53,971**	103,684
Investment gains	**587,513**	1,105,139
United Way agencies	**386,276**	335,090
Florida case management services:		
Community Based Care of Central Florida	**3,473,141**	3,567,487
Heartland	**3,672,323**	3,175,272
Ounce of Prevention	**1,961,796**	1,910,095
Omni Youth Services	**181,446**	270,388
Conscience Community Network	**22,034**	58,524
Rental income	**94,785**	86,839
Farm income	**182,100**	65,642
Miscellaneous	**1,017,016**	1,268,234
Net assets released from restrictions	**96,512**	8,529
Total public support and revenue	**52,807,816**	52,300,484
Expenses:		
Program services	**46,983,170**	43,134,010
General fundraising	**979,024**	1,076,661
Management and general	**6,362,592**	6,047,380
Other services	**697,412**	419,406
Total expenses	**55,022,198**	50,677,457
Change in unrestricted net assets	**(2,214,382)**	1,623,027
Changes in temporarily restricted net assets:		
Contributions	**29,125**	57,400
Net assets released from restrictions	**(96,512)**	(8,529)
Change in temporarily restricted net assets	**(67,387)**	48,871
Changes in permanently restricted net assets:		
Change in value of beneficial interest in perpetual trusts	**(55,670)**	369,459
Change in net assets	**(2,337,439)**	2,041,357
Net assets:		
Beginning	**34,506,666**	32,465,309
Ending	**$ 32,169,227**	$ 34,506,666

See notes to consolidated financial statements.

One Hope United

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services			
	Early Learning and Child Development	Placement Services	Community Based Family Support Services	Total Program Services
Expenses:				
Salaries	$ 9,970,015	$ 11,283,442	$ 5,743,717	$ 26,997,174
Salary-related expenses	2,199,927	2,663,972	1,327,015	6,190,914
Total salaries and related expenses	12,169,942	13,947,414	7,070,732	33,188,088
Professional liability insurance	100,615	97,608	44,456	242,679
Bad debt	270,167	66,063	25,278	361,508
Professional fees and contract services	387,512	434,225	290,075	1,111,812
Legal fees	13,488	29,231	5,509	48,228
Audit fees	-	-	-	-
Interest	196,419	12,883	3,964	213,266
Supplies	1,469,827	338,388	58,343	1,866,558
Telephone	166,800	295,163	219,384	681,347
Postage and shipping	5,816	16,804	11,101	33,721
Rent	982,264	284,930	446,210	1,713,404
Other occupancy	965,686	548,983	137,153	1,651,822
Local transportation	103,117	1,019,078	689,630	1,811,825
Conferences, meetings and seminars	82,789	46,573	37,548	166,910
Specific assistance to individuals	36,133	1,910,807	328,898	2,275,838
Membership dues	8,667	4,054	1,236	13,957
Equipment purchases	49,723	32,218	36,585	118,526
Equipment rentals	45,260	23,141	21,218	89,619
In-kind contributions	7,488	14,809	28,674	50,971
Printing	44,098	5,726	9,829	59,653
Miscellaneous	63,505	51,853	2,184	117,542
Total expenses before depreciation	17,169,316	19,179,951	9,468,007	45,817,274
Depreciation	824,623	291,164	50,109	1,165,896
Total expenses	$ 17,993,939	$ 19,471,115	$ 9,518,116	$ 46,983,170

(Continued)

One Hope United

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2018

	General Fund Raising	Management and General	Other Services	Totals
Expenses:				
Salaries	$ 524,547	$ 3,320,549	$ 232,455	$ 31,074,725
Salary-related expenses	65,307	584,386	293,349	7,133,956
Total salaries and related expenses	589,854	3,904,935	525,804	38,208,681
Professional liability insurance	-	(480)	-	242,199
Bad debt	-	-	-	361,508
Professional fees and contract services	84,056	1,392,085	56,533	2,644,486
Legal fees	494	187,487	-	236,209
Audit fees	-	130,092	-	130,092
Interest	-	23,886	-	237,152
Supplies	3,615	16,918	779	1,887,870
Telephone	6,736	57,038	753	745,874
Postage and shipping	4,239	49,921	-	87,881
Rent	-	138,131	81,073	1,932,608
Other occupancy	10,455	51,312	992	1,714,581
Local transportation	15,858	195,630	9,385	2,032,698
Conferences, meetings and seminars	3,602	37,340	3,457	211,309
Specific assistance to individuals	-	506	12	2,276,356
Membership dues	3,516	50,854	-	68,327
Equipment purchases	15,006	15,692	-	149,224
Equipment rentals	188	1,431	7,224	98,462
In-kind contributions	-	-	-	50,971
Printing	19,401	13,408	10,688	103,150
Miscellaneous	218,478	74,583	712	411,315
Total expenses before depreciation	975,498	6,340,769	697,412	53,830,953
Depreciation	3,526	21,823	-	1,191,245
Total expenses	$ 979,024	$ 6,362,592	$ 697,412	$ 55,022,198

See notes to consolidated financial statements.

One Hope United

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			
	Early Learning and Child Development	Placement Services	Community Based Family Support Services	Total Program Services
Expenses:				
Salaries	$ 9,491,242	$ 10,891,337	$ 5,045,925	$ 25,428,504
Salary-related expenses	1,793,347	2,157,954	962,724	4,914,025
Total salaries and related expenses	11,284,589	13,049,291	6,008,649	30,342,529
Professional liability insurance	115,845	146,471	60,495	322,811
Bad debt	64,969	70,274	49,239	184,482
Professional fees and contract services	304,696	357,088	183,761	845,545
Legal fees	16,377	17,668	12,817	46,862
Audit fees	-	-	-	-
Interest	201,911	15,875	4,748	222,534
Supplies	1,519,102	419,943	55,815	1,994,860
Telephone	161,798	261,727	169,339	592,864
Postage and shipping	5,585	12,710	9,183	27,478
Rent	881,651	278,325	397,644	1,557,620
Other occupancy	907,829	473,177	133,505	1,514,511
Local transportation	93,011	751,710	560,550	1,405,271
Conferences, meetings and seminars	60,270	59,516	20,375	140,161
Specific assistance to individuals	54,589	1,987,858	330,214	2,372,661
Membership dues	6,116	1,583	1,881	9,580
Equipment purchases	24,165	38,327	16,080	78,572
Equipment rentals	38,600	64,507	40,416	143,523
In-kind contributions	16,306	57,577	29,801	103,684
Printing	32,173	2,414	5,399	39,986
Miscellaneous	24,917	23,899	10,432	59,248
Total expenses before depreciation	15,814,499	18,089,940	8,100,343	42,004,782
Depreciation	844,155	240,112	44,961	1,129,228
Total expenses	$ 16,658,654	$ 18,330,052	$ 8,145,304	$ 43,134,010

(Continued)

One Hope United

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2017

	General Fund Raising	Management and General	Other Services	Totals
Expenses:				
Salaries	$ 584,870	$ 3,103,332	$ 251,498	$ 29,368,204
Salary-related expenses	95,483	528,561	30,334	5,568,403
Total salaries and related expenses	680,353	3,631,893	281,832	34,936,607
Professional liability insurance	25	933	-	323,769
Bad debt	-	-	-	184,482
Professional fees and contract services	101,703	1,553,965	49,636	2,550,849
Legal fees	955	134,719	478	183,014
Audit fees	-	87,784	-	87,784
Interest	-	-	312	222,846
Supplies	5,635	35,431	1,818	2,037,744
Telephone	5,765	50,552	1,068	650,249
Postage and shipping	1,262	27,523	36	56,299
Rent	-	145,251	77,800	1,780,671
Other occupancy	11,286	49,165	638	1,575,600
Local transportation	13,336	134,670	409	1,553,686
Conferences, meetings and seminars	3,064	15,751	457	159,433
Specific assistance to individuals	116	280	(55)	2,373,002
Membership dues	2,829	70,477	-	82,886
Equipment purchases	27,053	23,344	17	128,986
Equipment rentals	205	1,301	2,811	147,840
In-kind contributions	-	-	-	103,684
Printing	25,993	10,659	484	77,122
Miscellaneous	193,689	50,298	1,665	304,900
Total expenses before depreciation	1,073,269	6,023,996	419,406	49,521,453
Depreciation	3,392	23,384	-	1,156,004
Total expenses	$ 1,076,661	$ 6,047,380	$ 419,406	$ 50,677,457

See notes to consolidated financial statements.

One Hope United

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (2,337,439)**	$ 2,041,357
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**1,191,245**	1,156,004
Amortization of deferred financing costs	**64,819**	64,819
Bad debt expense	**361,508**	184,482
Net realized and unrealized gain on investments	**(515,228)**	(1,039,526)
Net realized and unrealized loss on investments in farm land	**194,965**	175,280
Net loss (gain) on disposals of fixed assets	**21,937**	(329)
Change in value of beneficial interest in perpetual trusts	**55,670**	(369,459)
Changes in:		
Accounts receivable	**(575,974)**	(964,940)
Accounts payable and accrued expenses	**161,759**	151,568
Deferred revenue	**(82,730)**	(1,067,916)
Other assets	**(111,780)**	(56,573)
Net cash (used in) provided by operating activities	**(1,571,248)**	274,767
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	**1,984,965**	3,243,189
Purchases of investments	**(1,885,379)**	(3,593,965)
Purchases of property and equipment	**(1,334,603)**	(677,788)
Proceeds from sale of farm land	**951,195**	460,000
Proceeds from sale of equipment	**5,621**	1,175
Cash paid in exchange for note receivable	**(9,946)**	-
Net cash used in investing activities	**(288,147)**	(567,389)
Cash flows from financing activities:		
Repayment on mortgage loan and note payable	**(1,695,594)**	(363,437)
Change in cash in restricted construction account	**-**	253,209
Net borrowings on line of credit	**2,555,000**	-
Net cash provided by (used in) financing activities	**859,406**	(110,228)
Net decrease in cash	**(999,989)**	(402,850)
Cash:		
Beginning	**1,452,849**	1,855,699
Ending	**$ 452,860**	$ 1,452,849
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 237,465**	$ 226,995
Supplemental schedule of noncash investing activities:		
Net decrease in investments held for deferred compensation/accrued expenses	**$ (225,554)**	$ (209,832)
Forgiveness of note receivable	**$ 125,000**	$ -
Supplemental schedule of noncash financing activities:		
Forgiveness of note payable	**$ (125,000)**	$ -

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

One Hope United (OHU) is an Illinois not-for-profit organization which is exempt from payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. OHU's primary purpose is to respond to the unmet needs of children and families by operating social welfare programs which offer services in the areas of child development, placement, prevention, family preservation, counseling and youth services.

Effective July 1, 2017, OHU and each of the partner agencies merged into one entity, named One Hope United. Prior to July 1, 2017, OHU operated under a federated model, which was created to maximize economies of scale and minimize the use of resources for centralized administrative functions. Under this model, the operations of OHU, and each partner agency (One Hope United Northern Region, One Hope United Hudelson Region, and One Hope United Florida Region) were consolidated.

OHU established One Hope United Title Holding Company (THC), an affiliated Illinois not-for-profit corporation which is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code (IRC) and applicable state law. OHU is the sole voting member of THC, which holds title to OHU's Early Learning Center located at 500 Parks Avenue, Joliet, Illinois and 503 Parks Avenue, Joliet, Illinois. THC also holds title to the land and buildings of the Aurora Early Learning Center, 525 College Avenue, Aurora, Illinois. THC was formed to facilitate a New Markets Tax Credit (NMTC) transaction for the Early Learning Center projects. Throughout the remainder of these notes the term OHU will refer to both OHU and THC unless otherwise indicated.

Principles of consolidation: The financial statements include the accounts of OHU and its affiliate, THC. Any significant intercompany balances and transactions have been eliminated in consolidation.

Accounting policies: OHU follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to accounting principles generally accepted in the United States (U.S. GAAP) in these footnotes are to the *FASB Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition: The majority of funding for OHU operations is provided by governmental agencies. OHU recognizes program revenues in the fiscal year that the services are rendered. Grant revenue is recognized when the related grant expenditure has been incurred. Contribution revenues and other support are recognized when an unconditional promise to give is made or when cash is received if an unconditional promise does not exist. Contributions include bequests, which are recognized as revenue when OHU has an irrevocable right to the gift, such as when the bequest has been through probate and declared valid.

Deferred revenue: Program revenues received in advance are deferred to the period in which they are earned.

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

Accounts receivable: Accounts receivable are primarily uncollateralized obligations of the State of Illinois and other grantors. These receivables are stated at the amounts billed and do not accrue interest. Payments of accounts receivable are allocated to specific invoices identified on the remittance advices or, if unspecified, are applied to the oldest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that is adjusted as information about specific accounts becomes available and as accounts reach six months outstanding and have not been collected as of year-end. OHU also compares current allowance amounts to prior-year collections or write-off experience.

Investments: Investments are recorded at fair value. Realized gains and losses from sales of investments are determined using the average cost method. Investments are classified as current or long-term based on intended use.

Property and equipment: Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years.

Deferred financing costs: Fees paid in connection with 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 seven-year NMTC compliance period. The amortization expense was $64,819 for the years ended June 30, 2018 and 2017, respectively. Deferred financing costs are presented as a direct reduction from the NMTC notes payable on the consolidated statements of financial position.

In-kind contributions: OHU received contributions of services from outside corporations, including printing, advertising, and various goods, in the amount of $53,971 and $103,684 during the years ended June 30, 2018 and 2017, respectively, which it distributed to the families it serves. The receipt and subsequent distribution of these goods and services are shown as revenue and expenses in the consolidated statements of activities. During the year ended June 30, 2018, OHU received contributions of property and equipment in the amount of $3,000. The receipt of the property and equipment is shown as revenue in the consolidated statements of activities and capitalized as property and equipment on the consolidated statements of financial position.

Temporarily restricted net assets: Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because OHU has fulfilled the restriction. Donor-restricted gifts are reported as temporarily restricted contributions regardless of when the net assets are expended. Transfers of temporarily restricted net assets associated with current expenditures for which the restrictions have been satisfied, as well as donor changes in the nature of restrictions of net assets, are reported as net assets released from restrictions. Temporarily restricted net assets at June 30, 2018 and 2017, consist of:

	2018	2017
Educational scholarships	$ 210,790	$ 212,052
Daycare programs	39,210	39,210
Other capital projects	31,746	97,871
	$ 281,746	$ 349,133

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

Permanently restricted net assets: Permanently restricted net assets are net assets for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is OHU's interest in perpetual trusts, the earnings from which are unrestricted.

Concentration of credit risk: OHU maintains cash accounts at several commercial banks. The amount on deposit customarily exceeds the insurance limits of the Federal Deposit Insurance Corporation. OHU has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Income taxes: OHU, including each of the partner agencies, is exempt from federal income taxes under IRC Section 501(c)(3). OHU and THC file Forms 990 in the U.S. federal jurisdiction and in the State of Illinois.

THC was organized and incorporated in Illinois as a not-for-profit organization in July of 2014. THC 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.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, OHU 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 OHU and the various positions related to the potential sources of unrelated business taxable income (UBIT). OHU has determined that there were no uncertain tax positions during the reported periods covered by these consolidated financial statements.

Pending accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. The updated standard will be effective for OHU for its fiscal year ending June 30, 2020. OHU's management has not yet selected a transition method.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the OHU for its fiscal year ending June 30, 2021, with early adoption permitted.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for OHU for its fiscal year ending June 30, 2019, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for OHU in the fiscal year June 30, 2020. Early adoption is permitted.

OHU's management is currently evaluating the impact these updates will have on OHU's consolidated financial statements.

Note 2. Accounts Receivable

Accounts receivable as of June 30, 2018 and 2017, net of allowances for doubtful accounts of $125,830 and $85,897, respectively, are summarized as follows:

	2018	2017
Supporting agencies:		
DCFS - Illinois	$ 2,406,437	$ 2,135,943
DHS - Illinois	1,390,607	1,380,273
Florida case management	1,117,899	1,190,871
Other governmental funding	1,609,612	1,519,982
Other	990,328	916,181
	$ 7,514,883	$ 7,143,250

Note 3. Investment Gain (Loss)

Investment gain (loss) for the years ended June 30, 2018 and 2017, is comprised of the following:

	2018	2017
Interest and dividend income	$ 267,250	$ 240,893
Realized and unrealized gains (losses) - securities	515,228	1,039,526
Realized and unrealized gains (losses) - investments in farm land	(194,965)	(175,280)
	$ 587,513	$ 1,105,139

OHU invests in a portfolio of fixed income securities, mutual funds and common stocks. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Note 4. Fair Value Disclosures

The Fair Value Measurement Topic of the Codification 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 the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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

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.

For the years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. OHU assesses levels of the investments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2018 and 2017, there were no such instances.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments in Securities

The fair value of publicly traded equity, fixed income, and hedge funds is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in Farm Land

The fair value of farm land is based on independent appraisals. The appraisals valued the properties based on the market approach, which considers comparable sales and adjusts for factors such as time (since comparable sale), location, and land quality. Since the valuations include certain unobservable inputs, the investments are classified as Level 3. Between appraisals, which are generally obtained bi-annually, OHU adjusts the fair value of the land based on industry benchmarks for changes in farm land value for the relevant region in Illinois, which considers comparable sales, commodity prices and regional economics.

Beneficial Interest in Perpetual Trusts

The fair value of OHU's beneficial interest in perpetual trusts was provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities and based on independent appraisals for farm land. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

Note 4. Fair Value Disclosures (Continued)

Investments Held for Deferred Compensation

The OHU Board of Directors suspended contributions to the 457(b) plan and directed that the plan be terminated as soon as administratively feasible. This plan was terminated prior to the end of fiscal year 2018.

Participants in the 457(b) plan described in Note 12 were offered a variety of investment options within a pooled separate account. Investment options included a variety of equity, fixed income and balanced funds. Fair value of the funds were determined as follows.

Investments in money market funds were traded on national securities exchanges and were stated at the last reported sales price on the day of valuation and were, therefore, classified as Level 1.

Investments in the equity funds, fixed income funds, and balanced funds were valued at net asset value (NAV), as determined by the Fund Manager. In determining NAV, the Fund Manager utilized the valuations of the underlying investments, which were primarily comprised of securities which were traded on national securities exchanges and have readily available market prices.

The fair value of OHU's investments in these funds generally represented the amount OHU would expect to receive if it were to liquidate its investment in the funds excluding any redemption charges that may apply. There were no redemption restrictions. These investments were classified as Level 2.

The following tables present the fair value hierarchy for OHU's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	June 30, 2018			
	Fair Value Measurements Using			
Description	Total	Level 1	Level 2	Level 3
Assets				
Investments in securities:				
Money market funds	$ 28,112	$ 28,112	$ -	$ -
Equity securities:				
U.S. small cap	5,718	5,718	-	-
U.S. large cap	4,020,269	4,020,269	-	-
International equities	2,435,565	2,435,565	-	-
Global equities	597,033	597,033	-	-
Fixed income securities:				
U.S. fixed income funds	2,829,659	2,829,659	-	-
Other securities:				
Other funds	858,548	858,548	-	-
Hedge funds	1,185,310	1,185,310	-	-
	$ 11,960,214	$ 11,960,214	$ -	$ -
Investments in farm land	$ 3,045,840	$ -	$ -	$ 3,045,840
Beneficial interest in perpetual trusts	$ 2,705,248	$ -	$ -	$ 2,705,248

Note 4. Fair Value Disclosures (Continued)

	June 30, 2017			
	Fair Value Measurements Using			
Description	Total	Level 1	Level 2	Level 3
Assets				
Investments in securities:				
Money market funds	$ 556,385	$ 556,385	$ -	$ -
Equity securities:				
U.S. small cap	5,913	5,913	-	-
U.S. large cap	3,479,105	3,479,105	-	-
International equities	2,505,809	2,505,809	-	-
Global equities	756,540	756,540	-	-
Fixed income securities:				
U.S. fixed income funds	2,143,162	2,143,162	-	-
Non-U.S. fixed income funds	1,003,198	1,003,198	-	-
Other securities:				
Hedge funds	1,094,460	1,094,460	-	-
	$ 11,544,572	$ 11,544,572	$ -	$ -
Investments in farm land	$ 4,192,000	$ -	$ -	$ 4,192,000
Beneficial interest in perpetual trusts	$ 2,760,918	$ -	$ -	$ 2,760,918
Investments held for deferred compensation in a pooled separate account:				
Money market funds	$ 23,254	$ 23,254	$ -	$ -
Equity funds	159,258	-	159,258	-
Fixed income funds	43,042	-	43,042	-
	$ 225,554	$ 23,254	$ 202,300	$ -

Note 4. Fair Value Disclosures (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent OHU's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments during the years ended June 30, 2018 and 2017:

	June 30, 2018		June 30, 2017	
	Investments in Farm Land	Beneficial Interest in Perpetual Trusts	Investments in Farm Land	Beneficial Interest in Perpetual Trusts
Balance, beginning of year	$ 4,192,000	$ 2,760,918	$ 4,827,280	$ 2,391,459
Sales	(951,195)	-	(460,000)	-
Change in value of perpetual trusts	-	(55,670)	-	369,459
Realized and unrealized losses - investments in farm land	(194,965)	-	(175,280)	-
Balance, end of year	$ 3,045,840	$ 2,705,248	$ 4,192,000	$ 2,760,918

The following table represents OHU's investments in farm land, the valuation techniques used to measure fair value, the significant unobservable inputs, and the ranges of values of those inputs at June 30, 2018 and 2017:

	June 30, 2018 Fair Value	June 30, 2017 Fair Value	Valuation Technique	Unobservable Inputs	Range (Per Acre)
Farm land	$ 3,045,840	$ 4,192,000	Market (comparable sales)	Time (since comparable sale)	$0 - $225
				Size/shape	$0 - $150
				Location	$0 - $500
				Land quality (e.g. tillable percentage, soil quality)	$0 - $675
				Topography/drainage	$0 - $600

Note 5. Beneficial Interest in Perpetual Trusts

OHU has a beneficial interest in two related perpetual trusts. Each trust includes cash and an undivided 75 percent interest in 360 acres of a parcel of farm land in Illinois. At June 30, 2018 and 2017, cash in both trusts combined was $78,997 and $81,223, respectively, and the estimated fair market value of the 360 acres of farm land was $3,280,000 and $3,600,000, respectively. OHU has a 75 percent interest in the income from each trust. OHU values its beneficial interest in each perpetual trust based on the fair value of the assets within the trust. OHU's proportionate share of the fair value of the trusts' assets was $2,705,248 and $2,760,918 at June 30, 2018 and 2017, respectively. The income from the trusts is to be paid annually. During the years ended June 30, 2018 and 2017, OHU received $45,001 and $65,231, respectively, of income from the trusts and these amounts are included in miscellaneous revenue on the consolidated statements of activities.

Note 6. Leveraged Loan Receivable

In September 2014, OHU made leveraged loans to a qualified equity investment fund (QEI) linked to OHU's financing obtained through the NMTC program.

The loans accrue interest at a fixed rate, with interest-only quarterly payments at a rate of 1 percent over the first seven years (Compliance Period); quarterly principal and interest (stated rate) payments are then required through 2044.

Notes receivable at June 30, 2018 and 2017, are as follows:

	2018	2017
Stonehenge Illinois NMTC Investment Fund III, LLC with interest accruing at an annual rate of 1%; 1% interest-only quarterly payments are due through April 2021, and then principal and interest payments of $112,592 are due quarterly through maturity in September 2044.	$ 6,910,576	$ 6,910,576

After the Compliance Period, there are put and call agreements between OHU and the investor in the QEI Fund. It is anticipated that the NMTC investor will put their option and OHU will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, THC management plans to exercise its option to call. This action will essentially result in forgiveness of these loans as well as extinguishment of OHU's debt described in Note 8. Interest income was $69,131 for each of the years ended June 30, 2018 and 2017.

In order to fund the above loan, OHU paid $6,910,576 in cash on hand (including $5,145,725 in lender reimbursements as a result of the NMTC transaction).

Note 7. Mortgage Loan and Note Payable

OHU's mortgage loan and note payable and collateral pledged thereon consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Mortgage loan payable, bank, 2.6% annual interest, due in monthly principal payments of $22,109, with a balloon payment on June 30, 2018, collateralized by OHU property including buildings and accounts receivable.	$ -	$ 1,695,594
Note payable, Dunham fund loan, 0.25% annual interest, with a balloon payment due December 2017	-	125,000
	-	1,820,594
Less current portion	-	1,820,594
	$ -	$ -

The mortgage loan was paid in full at its due date. During the year, the $125,000 balance due on the note payable, Dunham fund loan was forgiven. In connection with this, OHU forgave a related $125,000 note receivable.

Note 7. Mortgage Loan and Note Payable (Continued)

OHU has a $7,000,000 revolving bank line of credit. Interest is payable monthly at floating LIBOR (2.09 percent at June 30, 2018) plus 1.50 percent. In August 2018, the revolving line of credit was renewed and the maturity date was extended to March 31, 2020. Borrowings under the line of credit are collateralized by certain account assets. A total of $2,555,000 and $0 was borrowed as of June 30, 2018 and 2017, respectively.

In August 2018, OHU executed a $1,380,000 term promissory note to a bank. Interest only payments are due monthly at 4.40 percent. The term promissory note matures on August 31, 2021, at which time all unpaid principal and interest become due. The note is collateralized by certain investments.

Note 8. NMTC Notes Payable

In September 2014, THC 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 qualified equity investment (QEI) in qualified community development entities (CDEs). The CDEs used substantially all of each QEI to make qualified low-income community investment (QLICI) loans on favorable terms to THC as a qualified active low-income community business (QALICB). These loans made to THC by the CDEs on September 15, 2014, and outstanding at June 30, 2018 and 2017, were as follows:

	2018	2017
SCORE Sub-CDE 3, LLC Note A	$ 5,000,000	$ 5,000,000
Stonehedge Community Development LXIV, LLC Note A	1,910,576	1,910,576
Stonehedge Community Development LXIV, LLC Note B	3,089,424	3,089,424
	10,000,000	10,000,000
Less unamortized deferred financing costs	(207,962)	(272,781)
	$ 9,792,038	$ 9,727,219

All loans have a maturity date of September 30, 2044. Applicable interest rates range between 1.02 percent and 1.73 percent simple interest. Quarterly interest payments commenced December 10, 2014.

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 date. The loans can be repaid any time after the Compliance Period.

There are put and call agreements between THC and the 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, THC 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 THC will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, THC management plans to exercise its option to call. By acquiring the ownership interests, THC would 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 THC would forgive the NMTC notes receivable). The loans are collateralized by essentially all THC property and equipment.

Note 9. State and Local Government Agency Support

OHU received approximately $34,925,000 and $34,700,000 of its support and revenue from the State of Illinois and other governmental agencies during the years ended June 30, 2018 and 2017, respectively. A significant reduction in the level of this support, if it were to occur, could have a significant effect on OHU's programs and activities. A portion of this support is subject to review and final determination by these state and governmental agencies. OHU does not anticipate any significant adjustments upon final review and determination.

Note 10. Leases and Commitments

OHU leases office space and office equipment. These leases expire at various dates through June 2024. At June 30, 2018, future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year were as follows:

Years ending June 30:	
2019	$ 1,983,071
2020	1,420,942
2021	1,026,736
2022	638,187
2023	448,403
Thereafter	1,017,863
	$ 6,535,202

Rental expense under operating leases was $2,166,364 and $1,988,611 for the years ended June 30, 2018 and 2017, respectively.

Note 11. Retirement Plan

OHU employees participate in the American Baptist Retirement and Death 403(b) Plan, a defined contribution plan. Under this plan, OHU may contribute scheduled amounts that are a matched contribution up to 3 percent of salary. All OHU employees become eligible to participate in the plan upon achieving service level requirements. Employer contributions vest ratably over six years. OHU recognized expense for contributions to the plan of $301,155 and $214,754 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, $0 and $63,982, respectively, was accrued for this benefit. OHU suspended employer contributions effective the last June pay date, June 22, 2018.

Note 12. Deferred Compensation Plan

OHU offered a deferred compensation plan created in accordance with IRC Section 457. The plan, available to certain OHU employees, permitted them to defer a portion of their salary until future years. OHU did not make any contributions to the plan for the years ended June 30, 2018 and 2017. The OHU Board directed that all contributions to this plan be suspended and that this plan be terminated in fiscal year 2018. The plan was terminated in May 2018 and the plan's funds were distributed to the participating employees.

Note 13. Commitments and Contingencies

OHU is involved in various legal proceedings in the normal course of business. Subsequent to June 30, 2018, OHU was named as a defendant in a lawsuit. OHU is working with its insurance carrier and attorneys to defend itself from the lawsuit. Although the outcome of this matter cannot be forecast with certainty, OHU management is of the opinion that its final disposition is not expected to have a material adverse effect on OHU's financial position or results of operations.

Note 14. Subsequent Events

OHU has evaluated subsequent events for potential recognition and/or disclosure through February 1, 2019, the date the consolidated financial statements were available to be issued.