

# **One Hope United**

Consolidated Financial Report  
June 30, 2020

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RSM US LLP

## Independent Auditor's Report

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, 2020 and 2019, 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, 2020 and 2019, 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 19, 2021

## One Hope United

### Consolidated Statements of Financial Position June 30, 2020 and 2019

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets:  |                      |                      |
| Cash   | \$ 4,773,716         | \$ 1,303,258         |
| Accounts receivable, less allowances for doubtful accounts<br>of \$374,558 in 2020 and \$133,633 in 2019 | 7,667,695            | 6,921,913            |
| Other current assets   | 1,261,170            | 1,577,605            |
| Total current assets   | <u>13,702,581</u>    | <u>9,802,776</u>     |
| Property and equipment:  |                      |                      |
| Land and buildings   | 19,096,263           | 19,096,263           |
| Building improvements  | 4,256,023            | 3,967,875            |
| Furniture and equipment  | 2,376,737            | 2,323,729            |
| Vehicles   | 303,392              | 278,605              |
| Leasehold improvements   | 1,002,611            | 974,228              |
| Works in progress  | -                    | 4,892                |
|  | <u>27,035,026</u>    | <u>26,645,592</u>    |
| Less accumulated depreciation  | 12,980,120           | 11,802,244           |
| Total property and equipment   | <u>14,054,906</u>    | <u>14,843,348</u>    |
| Long-term assets:  |                      |                      |
| Investments in securities  | 12,068,547           | 12,099,695           |
| Investments in farm land   | 3,055,920            | 2,996,000            |
| Leveraged loan receivable  | 6,910,576            | 6,910,576            |
| Beneficial interest in perpetual trusts  | 2,760,694            | 2,702,247            |
| Note receivable  | 6,613                | 14,428               |
| Total long-term assets   | <u>24,802,350</u>    | <u>24,722,946</u>    |
|  | <u>\$ 52,559,837</u> | <u>\$ 49,369,070</u> |
| <b>Liabilities and Net Assets</b>  |                      |                      |
| Current liabilities:   |                      |                      |
| Accounts payable   | \$ 894,806           | \$ 970,931           |
| Accrued expenses   | 4,524,338            | 3,729,718            |
| Deferred revenue   | 2,302,594            | 470,820              |
| Total current liabilities  | <u>7,721,738</u>     | <u>5,171,469</u>     |
| Long-term liabilities:   |                      |                      |
| Note payable   | 1,380,000            | 1,380,000            |
| NMTC notes payable, net  | 9,921,677            | 9,856,858            |
| Total long-term liabilities  | <u>11,301,677</u>    | <u>11,236,858</u>    |
|  | <u>19,023,415</u>    | <u>16,408,327</u>    |
| Net assets:  |                      |                      |
| Without donor restrictions   | 30,505,593           | 29,971,611           |
| With donor restrictions  | 3,030,829            | 2,989,132            |
| Total net assets   | <u>33,536,422</u>    | <u>32,960,743</u>    |
|  | <u>\$ 52,559,837</u> | <u>\$ 49,369,070</u> |

See notes to consolidated financial statements.

**One Hope United**

**Consolidated Statements of Activities  
Years Ended June 30, 2020 and 2019**

|  | 2020                        | 2019                     |
|--|-----------------------------|--------------------------|
| Changes in net assets without donor restrictions:          |                             |                          |
| Revenues:  |                             |                          |
| Program support:   |                             |                          |
| Government sources   | \$ 38,909,090               | \$ 36,671,262            |
| Private sources  | 15,498,417                  | 15,600,115               |
| Total program support                                      | <u>54,407,507</u>           | <u>52,271,377</u>        |
| Public support:  |                             |                          |
| Contributions and bequests                                 | 725,438                     | 973,507                  |
| In-kind contributions                                      | 19,776                      | 95,298                   |
| Net assets released from restrictions                      | 16,750                      | 48,771                   |
| United Way agencies  | 266,746                     | 269,451                  |
| Total public support                                       | <u>1,028,710</u>            | <u>1,387,027</u>         |
| Investment gains   | 669,734                     | 708,680                  |
| Other sources  | 977,078                     | 1,310,191                |
| <b>Total revenues</b>                                      | <u><b>57,083,029</b></u>    | <u><b>55,677,275</b></u> |
| Expenses:  |                             |                          |
| Program services   | 50,084,157                  | 47,755,310               |
| General fundraising  | 835,049                     | 773,983                  |
| Management and general                                     | 5,629,841                   | 6,358,604                |
| <b>Total expenses</b>                                      | <u><b>56,549,047</b></u>    | <u><b>54,887,897</b></u> |
| <b>Change in net assets without donor restrictions</b>     | <u><b>533,982</b></u>       | <u><b>789,378</b></u>    |
| Changes in net assets with donor restrictions:             |                             |                          |
| Contributions  | -                           | 53,910                   |
| Change in value of beneficial interest in perpetual trusts | 58,447                      | (3,001)                  |
| Net assets released from restrictions                      | <u>(16,750)</u>             | <u>(48,771)</u>          |
| <b>Change in net assets with donor restrictions</b>        | <u><b>41,697</b></u>        | <u><b>2,138</b></u>      |
| <b>Change in net assets</b>                                | <u><b>575,679</b></u>       | <u><b>791,516</b></u>    |
| Net assets:  |                             |                          |
| Beginning  | <u><b>32,960,743</b></u>    | <u>32,169,227</u>        |
| Ending   | <u><b>\$ 33,536,422</b></u> | <u>\$ 32,960,743</u>     |

See notes to consolidated financial statements.

**One Hope United**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020**

|  | Program Services                           |                       |  | Total<br>Program<br>Services |
|--|--|-----------------------|--|------------------------------|
|  | Early Learning<br>and Child<br>Development | Placement<br>Services | Community-<br>Based Family<br>Support Services |                              |
| Expenses:                                  |  |                       |  |                              |
| Salaries                                   | \$ 8,830,185                               | \$ 10,936,629         | \$ 9,748,620                                   | \$ 29,515,434                |
| Salary-related expenses                    | 2,103,268                                  | 2,597,456             | 2,270,815                                      | 6,971,539                    |
| <b>Total salaries and related expenses</b> | <b>10,933,453</b>                          | <b>13,534,085</b>     | <b>12,019,435</b>                              | <b>36,486,973</b>            |
| Professional liability insurance           | 87,372                                     | 46,857                | 60,520   | 194,749                      |
| Bad debt provision                         | 61,336                                     | 100,926               | 168,455  | 330,717                      |
| Professional fees and contract services    | 185,914                                    | 397,769               | 369,177  | 952,860                      |
| Legal fees                                 | 9,648                                      | 48,136                | 4,058  | 61,842                       |
| Audit fees                                 | -  | -                     | -  | -                            |
| Interest                                   | 273,726                                    | 18,492                | 7,343  | 299,561                      |
| Supplies                                   | 1,025,490                                  | 397,405               | 110,234  | 1,533,129                    |
| Telephone                                  | 84,604                                     | 177,277               | 221,443  | 483,324                      |
| Postage and shipping                       | 2,969                                      | 7,987                 | 15,643   | 26,599                       |
| Rent                                       | 1,008,735                                  | 162,194               | 633,427  | 1,804,356                    |
| Other occupancy                            | 892,054                                    | 455,543               | 231,506  | 1,579,103                    |
| Local transportation                       | 65,651                                     | 765,182               | 1,169,316                                      | 2,000,149                    |
| Conferences, meetings and seminars         | 37,942                                     | 21,920                | 31,541   | 91,403                       |
| Specific assistance to individuals         | 38,155                                     | 439,387               | 2,192,947                                      | 2,670,489                    |
| Membership dues                            | 8,411                                      | 3,807                 | 1,920  | 14,138                       |
| Equipment purchases                        | 39,293                                     | 45,418                | 143,437  | 228,148                      |
| Equipment rentals                          | 28,523                                     | 22,554                | 20,129   | 71,206                       |
| In-kind contributions                      | 1,325                                      | 3,567                 | 14,884   | 19,776                       |
| Printing                                   | 13,884                                     | 2,512                 | 6,053  | 22,449                       |
| Miscellaneous                              | 30,096                                     | 23,485                | (3,203)  | 50,378                       |
| <b>Total expenses before depreciation</b>  | <b>14,828,581</b>                          | <b>16,674,503</b>     | <b>17,418,265</b>                              | <b>48,921,349</b>            |
| Depreciation                               | 770,058                                    | 317,076               | 75,674   | 1,162,808                    |
| <b>Total expenses</b>                      | <b>\$ 15,598,639</b>                       | <b>\$ 16,991,579</b>  | <b>\$ 17,493,939</b>                           | <b>\$ 50,084,157</b>         |

(Continued)

**One Hope United**

**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2020**

|  | General<br>Fundraising | Management<br>and General | Totals               |
|--|------------------------|---------------------------|----------------------|
| Expenses:                                  |                        |                           |                      |
| Salaries                                   | \$ 531,467             | \$ 2,283,952              | \$ 32,330,853        |
| Salary-related expenses                    | 120,039                | 497,660                   | 7,589,238            |
| <b>Total salaries and related expenses</b> | 651,506                | 2,781,612                 | 39,920,091           |
| Professional liability insurance           | -                      | -                         | 194,749              |
| Bad debt provision                         | -                      | -                         | 330,717              |
| Professional fees and contract services    | 57,774                 | 1,914,445                 | 2,925,079            |
| Legal fees                                 | 501                    | 114,954                   | 177,297              |
| Audit fees                                 | -                      | 106,832                   | 106,832              |
| Interest                                   | -                      | -                         | 299,561              |
| Supplies                                   | 4,427                  | 20,037                    | 1,557,593            |
| Telephone                                  | 7,951                  | 38,028                    | 529,303              |
| Postage and shipping                       | 180                    | 29,317                    | 56,096               |
| Rent                                       | -                      | 221,437                   | 2,025,793            |
| Other occupancy                            | 513                    | 30,493                    | 1,610,109            |
| Local transportation                       | 11,357                 | 109,154                   | 2,120,660            |
| Conferences, meetings and seminars         | 1,430                  | 74,706                    | 167,539              |
| Specific assistance to individuals         | 648                    | -                         | 2,671,137            |
| Membership dues                            | 50                     | 34,744                    | 48,932               |
| Equipment purchases                        | 2,281                  | 48,304                    | 278,733              |
| Equipment rentals                          | 2,800                  | 6,858                     | 80,864               |
| In-kind contributions                      | -                      | -                         | 19,776               |
| Printing                                   | 5,084                  | 3,217                     | 30,750               |
| Miscellaneous                              | 87,882                 | 73,354                    | 211,614              |
| <b>Total expenses before depreciation</b>  | 834,384                | 5,607,492                 | 55,363,225           |
| Depreciation                               | 665                    | 22,349                    | 1,185,822            |
| <b>Total expenses</b>                      | <b>\$ 835,049</b>      | <b>\$ 5,629,841</b>       | <b>\$ 56,549,047</b> |

See notes to consolidated financial statements.



**One Hope United**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2019**

|  | Program Services                           |                       |  | Total<br>Program<br>Services |
|--|--|-----------------------|--|------------------------------|
|  | Early Learning<br>and Child<br>Development | Placement<br>Services | Community-<br>Based Family<br>Support Services |                              |
| Expenses:                                  |  |                       |  |                              |
| Salaries                                   | \$ 9,684,870                               | \$ 9,708,426          | \$ 8,574,449                                   | \$ 27,967,745                |
| Salary-related expenses                    | 2,310,291                                  | 2,359,834             | 2,029,723                                      | 6,699,848                    |
| <b>Total salaries and related expenses</b> | <b>11,995,161</b>                          | <b>12,068,260</b>     | <b>10,604,172</b>                              | <b>34,667,593</b>            |
| Professional liability insurance           | 101,783                                    | 72,773                | 62,574   | 237,130                      |
| Bad debt provision (recovery)              | (25,400)                                   | 32,800                | 92,501   | 99,901                       |
| Professional fees and contract services    | 297,928                                    | 177,292               | 340,008  | 815,228                      |
| Legal fees                                 | 2,152                                      | 7,211                 | 12,433   | 21,796                       |
| Audit fees                                 | -  | -                     | -  | -                            |
| Interest                                   | 267,645                                    | 15,369                | 6,087  | 289,101                      |
| Supplies                                   | 1,409,976                                  | 329,075               | 94,800   | 1,833,851                    |
| Telephone                                  | 122,125                                    | 186,287               | 243,389  | 551,801                      |
| Postage and shipping                       | 3,706                                      | 7,656                 | 16,377   | 27,739                       |
| Rent                                       | 968,773                                    | 200,008               | 548,455  | 1,717,236                    |
| Other occupancy                            | 989,359                                    | 385,384               | 201,465  | 1,576,208                    |
| Local transportation                       | 104,674                                    | 806,898               | 1,154,806                                      | 2,066,378                    |
| Conferences, meetings and seminars         | 57,251                                     | 47,705                | 31,439   | 136,395                      |
| Specific assistance to individuals         | 35,187                                     | 428,059               | 1,665,010                                      | 2,128,256                    |
| Membership dues                            | 4,146                                      | 23,149                | 1,520  | 28,815                       |
| Equipment purchases                        | 14,277                                     | 57,537                | 32,523   | 104,337                      |
| Equipment rentals                          | 26,901                                     | 14,135                | 22,722   | 63,758                       |
| In-kind contributions                      | 11,913                                     | 28,000                | 55,385   | 95,298                       |
| Printing                                   | 18,232                                     | 2,951                 | 5,037  | 26,220                       |
| Miscellaneous                              | 12,815                                     | 51,394                | 14,190   | 78,399                       |
| <b>Total expenses before depreciation</b>  | <b>16,418,604</b>                          | <b>14,941,943</b>     | <b>15,204,893</b>                              | <b>46,565,440</b>            |
| Depreciation                               | 824,874                                    | 299,834               | 65,162   | 1,189,870                    |
| <b>Total expenses</b>                      | <b>\$ 17,243,478</b>                       | <b>\$ 15,241,777</b>  | <b>\$ 15,270,055</b>                           | <b>\$ 47,755,310</b>         |

(Continued)

**One Hope United**

**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2019**

|  | General<br>Fundraising | Management<br>and General | Totals               |
|--|------------------------|---------------------------|----------------------|
| <b>Expenses:</b>                           |                        |                           |                      |
| Salaries                                   | \$ 358,245             | \$ 3,193,100              | \$ 31,519,090        |
| Salary-related expenses                    | 50,641                 | 478,670                   | 7,229,159            |
| <b>Total salaries and related expenses</b> | 408,886                | 3,671,770                 | 38,748,249           |
| Professional liability insurance           | -                      | -                         | 237,130              |
| Bad debt provision                         | -                      | -                         | 99,901               |
| Professional fees and contract services    | 79,115                 | 1,711,932                 | 2,606,275            |
| Legal fees                                 | -                      | 103,325                   | 125,121              |
| Audit fees                                 | -                      | 86,648                    | 86,648               |
| Interest                                   | -                      | 26,292                    | 315,393              |
| Supplies                                   | 1,644                  | 14,952                    | 1,850,447            |
| Telephone                                  | 4,514                  | 44,647                    | 600,962              |
| Postage and shipping                       | 3,565                  | 38,281                    | 69,585               |
| Rent                                       | -                      | 217,298                   | 1,934,534            |
| Other occupancy                            | 4,478                  | 58,480                    | 1,639,166            |
| Local transportation                       | 15,023                 | 182,170                   | 2,263,571            |
| Conferences, meetings and seminars         | 1,228                  | 29,376                    | 166,999              |
| Specific assistance to individuals         | 14                     | 49                        | 2,128,319            |
| Membership dues                            | 1,837                  | 34,917                    | 65,569               |
| Equipment purchases                        | 557                    | 13,980                    | 118,874              |
| Equipment rentals                          | 507                    | 6,921                     | 71,186               |
| In-kind contributions                      | -                      | -                         | 95,298               |
| Printing                                   | 29,190                 | 16,937                    | 72,347               |
| Miscellaneous                              | 220,559                | 75,204                    | 374,162              |
| <b>Total expenses before depreciation</b>  | 771,117                | 6,333,179                 | 53,669,736           |
| Depreciation                               | 2,866                  | 25,425                    | 1,218,161            |
| <b>Total expenses</b>                      | <b>\$ 773,983</b>      | <b>\$ 6,358,604</b>       | <b>\$ 54,887,897</b> |

See notes to consolidated financial statements.

## One Hope United

### Consolidated Statements of Cash Flows Years Ended June 30, 2020 and 2019

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Cash flows from operating activities:   |                     |                     |
| Change in net assets  | \$ 575,679          | \$ 791,516          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 1,185,822           | 1,218,161           |
| Amortization of deferred financing costs  | 64,819              | 64,819              |
| Bad debt provision  | 330,717             | 99,901              |
| Net realized and unrealized gain on investments   | (291,850)           | (463,564)           |
| Net realized and unrealized (gain) loss on investments in farm land                         | (59,920)            | 49,840              |
| Net loss on disposals of fixed assets   | 23,126              | 24,421              |
| Change in value of beneficial interest in perpetual trusts                                  | (58,447)            | 3,001               |
| Changes in:   |                     |                     |
| Accounts receivable   | (1,076,499)         | 493,069             |
| Accounts payable and accrued expenses   | 718,495             | (60)                |
| Deferred revenue  | 1,831,774           | (129,697)           |
| Other assets  | 316,435             | 96,443              |
| <b>Net cash provided by operating activities</b>  | <b>3,560,151</b>    | <b>2,247,850</b>    |
| Cash flows from investing activities:   |                     |                     |
| Proceeds from sales and maturities of investments   | 3,367,238           | 12,080,191          |
| Purchases of investments  | (3,044,240)         | (11,756,107)        |
| Purchases of property and equipment   | (420,506)           | (542,054)           |
| Proceeds from note receivable   | 7,815               | -                   |
| Cash paid in exchange for note receivable   | -                   | (4,482)             |
| <b>Net cash used in investing activities</b>  | <b>(89,693)</b>     | <b>(222,452)</b>    |
| Cash flows from financing activities:   |                     |                     |
| Proceeds from note payable  | -                   | 1,380,000           |
| Net repayments on line of credit  | -                   | (2,555,000)         |
| <b>Net cash used in financing activities</b>  | <b>-</b>            | <b>(1,175,000)</b>  |
| <b>Net increase in cash</b>   | <b>3,470,458</b>    | <b>850,398</b>      |
| Cash:   |                     |                     |
| Beginning   | 1,303,258           | 452,860             |
| Ending  | <b>\$ 4,773,716</b> | <b>\$ 1,303,258</b> |
| Supplemental disclosure of cash flow information:   |                     |                     |
| Cash paid for interest  | <b>\$ 234,742</b>   | <b>\$ 250,577</b>   |

See notes to consolidated financial statements.

## One Hope United

### Notes to Consolidated Financial Statements

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#### 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.

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 (NMTTC) 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 consolidated 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 notes are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

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

**Revenue recognition and deferred revenue:** The majority of funding for OHU operations is provided by grants from governmental and private agencies. Grants are primarily conditional contributions which are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). At June 30, 2020 and 2019, OHU had \$2,302,594 and \$470,820 of grant funding received in advance, for which qualifying expense had not been incurred by year-end. These amounts are classified as deferred revenue on the statements of financial position. OHU also has conditional promises to give, representing grant funding committed to OHU, but not yet expended or received, amounting to approximately \$1,170,000, as of June 30, 2020, which has not been recognized. These amounts will be recognized as revenue as OHU incurs qualifying expenses and performs its duties under the terms of the grant agreements.

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.

**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 or older as of year-end. OHU also compares current allowance amounts to prior-year collections or write-off experience.

## One Hope United

### Notes to Consolidated Financial Statements

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

**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.

**Functional expenses:** Expenses are presented in the consolidated statements of activities on a functional basis, classified according to the significant program activity or supporting service. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses (which are allocated on the basis of actual time and effort), insurance, occupancy and related expenses, and telephone, which are allocated by department headcounts.

**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 each of the years ended June 30, 2020 and 2019. 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 \$19,776 and \$95,298 during the years ended June 30, 2020 and 2019, 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.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of OHU management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions may expire either because of the passage of time or because OHU has fulfilled the restriction. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the principal must remain intact. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

**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 is exempt from federal income taxes under IRC Section 501(c)(3). THC is exempt from federal income taxes under the provisions of Section 501(c)(2). OHU and THC file Forms 990 in the U.S. federal jurisdiction and Forms AG 990-IL in the State of Illinois.

## One Hope United

### Notes to Consolidated Financial Statements

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

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 and THC 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, THC, and the various positions related to the potential sources of unrelated business taxable income (UBIT). OHU and THC have determined that there were no uncertain tax positions during the reported periods covered by these consolidated financial statements.

**Adopted accounting pronouncement:** In 2020, OHU adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This updated standard provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The adoption of the standard did not have a material impact on the consolidated financial statements.

**Pending accounting pronouncements:** In May 2014, the FASB issued 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 and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for OHU for its fiscal year ending June 30, 2021.

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 will be effective for OHU for its fiscal year ending June 30, 2023, with early adoption permitted.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosure requirements on fair value required by Topic 820. The new standard will be effective for OHU for its fiscal year ending June 30, 2021.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effect of) reference rate reform on financial reporting. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional qualitative disclosures for contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The new standard will be effective for OHU for its fiscal year ending June 30, 2022, with early adoption is permitted.

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

## One Hope United

### Notes to Consolidated Financial Statements

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

**Reclassifications:** Certain 2019 amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

#### Note 2. Accounts Receivable

Accounts receivable as of June 30, 2020 and 2019, net of allowances for doubtful accounts of \$374,558 and \$133,633, respectively, are summarized as follows:

|                            | 2020                | 2019                |
|----------------------------|---------------------|---------------------|
| Supporting agencies:       |                     |                     |
| DCFS - Illinois            | \$ 3,645,517        | \$ 2,683,530        |
| DHS - Illinois             | 1,186,659           | 797,597             |
| Florida case management    | 1,185,403           | 1,090,921           |
| Other governmental funding | 1,219,556           | 1,467,276           |
| Other                      | 430,560             | 882,589             |
|                            | <u>\$ 7,667,695</u> | <u>\$ 6,921,913</u> |

#### Note 3. Investment Gains

Investment gains for the years ended June 30, 2020 and 2019, are comprised of the following:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Interest and dividend income                                      | \$ 317,964        | \$ 294,956        |
| Realized and unrealized gains - securities                        | 291,850           | 463,564           |
| Realized and unrealized gains (losses) - investments in farm land | 59,920            | (49,840)          |
|   | <u>\$ 669,734</u> | <u>\$ 708,680</u> |

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 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.

**Note 4. Fair Value Disclosures (Continued)**

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, 2020 and 2019, 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, 2020 and 2019, 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 money market funds, equity securities, fixed income funds, and other 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.



## One Hope United

### Notes to Consolidated Financial Statements

#### Note 4. Fair Value Disclosures (Continued)

The following tables present the fair value hierarchy for OHU's assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

| Description                             | June 30, 2020                 |                      |             |              |
|---|-------------------------------|----------------------|-------------|--------------|
|   | Fair Value Measurements Using |                      |             |              |
|   | Total                         | Level 1              | Level 2     | Level 3      |
| <b>Assets</b>                           |                               |                      |             |              |
| Investments in securities:              |                               |                      |             |              |
| Money market funds                      | \$ 163,420                    | \$ 163,420           | \$ -        | \$ -         |
| Equity securities:                      |                               |                      |             |              |
| U.S. small cap                          | 6,107                         | 6,107                | -           | -            |
| U.S. large cap                          | 4,560,301                     | 4,560,301            | -           | -            |
| International equities                  | 1,900,477                     | 1,900,477            | -           | -            |
| Fixed income securities:                |                               |                      |             |              |
| U.S. fixed income funds                 | 4,225,379                     | 4,225,379            | -           | -            |
| Other funds                             | 1,212,863                     | 1,212,863            | -           | -            |
|   | <u>\$ 12,068,547</u>          | <u>\$ 12,068,547</u> | <u>\$ -</u> | <u>\$ -</u>  |
| Investments in farm land                | \$ 3,055,920                  | \$ -                 | \$ -        | \$ 3,055,920 |
| Beneficial interest in perpetual trusts | \$ 2,760,694                  | \$ -                 | \$ -        | \$ 2,760,694 |
| <b>June 30, 2019</b>                    |                               |                      |             |              |
| Description                             | Fair Value Measurements Using |                      |             |              |
|   | Total                         | Level 1              | Level 2     | Level 3      |
| <b>Assets</b>                           |                               |                      |             |              |
| Investments in securities:              |                               |                      |             |              |
| Money market funds                      | \$ 42,478                     | \$ 42,478            | \$ -        | \$ -         |
| Equity securities:                      |                               |                      |             |              |
| U.S. small cap                          | 6,107                         | 6,107                | -           | -            |
| U.S. large cap                          | 4,628,392                     | 4,628,392            | -           | -            |
| International equities                  | 2,271,075                     | 2,271,075            | -           | -            |
| Global equities                         | -                             | -                    | -           | -            |
| Fixed income securities:                |                               |                      |             |              |
| U.S. fixed income funds                 | 4,103,084                     | 4,103,084            | -           | -            |
| Other funds                             | 1,048,559                     | 1,048,559            | -           | -            |
|   | <u>\$ 12,099,695</u>          | <u>\$ 12,099,695</u> | <u>\$ -</u> | <u>\$ -</u>  |
| Investments in farm land                | \$ 2,996,000                  | \$ -                 | \$ -        | \$ 2,996,000 |
| Beneficial interest in perpetual trusts | \$ 2,702,247                  | \$ -                 | \$ -        | \$ 2,702,247 |

## One Hope United

### Notes to Consolidated Financial Statements

#### 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, 2020 and 2019:

|   | June 30, 2020                  |   | June 30, 2019                  |   |
|---|--------------------------------|---|--------------------------------|---|
|   | Investments<br>in<br>Farm Land | Beneficial<br>Interest in<br>Perpetual Trusts | Investments<br>in<br>Farm Land | Beneficial<br>Interest in<br>Perpetual Trusts |
| Balance, beginning of year  | \$ 2,996,000                   | \$ 2,702,247                                  | \$ 3,045,840                   | \$ 2,705,248                                  |
| Sales   | -                              | -   | -                              | -   |
| Change in value of perpetual trusts                               | -                              | 58,447  | -                              | (3,001)                                       |
| Realized and unrealized gains (losses) - investments in farm land | 59,920                         | -   | (49,840)                       | -   |
| Balance, end of year  | <u>\$ 3,055,920</u>            | <u>\$ 2,760,694</u>                           | <u>\$ 2,996,000</u>            | <u>\$ 2,702,247</u>                           |

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, 2020 and 2019:

|           | June 30, 2020<br>Fair Value | June 30, 2019<br>Fair Value | Valuation<br>Technique       | Unobservable Inputs                                   | Range<br>(Per Acre) |
|-----------|-----------------------------|-----------------------------|------------------------------|---|---------------------|
| Farm land | \$ 3,055,920                | \$ 2,996,000                | Market<br>(comparable sales) | Time (since comparable sale)                          | \$0 - \$225         |
|           |                             |                             |                              | Land quality (e.g. tillable percentage, soil quality) | \$0 - \$675         |
|           |                             |                             |                              | Topography/drainage                                   | \$0 - \$600         |

## One Hope United

### Notes to Consolidated Financial Statements

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#### 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% interest in 360 acres of a parcel of farm land in Illinois. At June 30, 2020 and 2019, cash in both trusts combined was \$82,366 and \$74,996, respectively, and the estimated fair market value of the 360 acres of farm land was \$3,598,560. OHU has a 75% 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 \$2,760,694 and \$2,702,247 at June 30, 2020 and 2019, respectively. The income from the trusts is to be paid annually. During the years ended June 30, 2020 and 2019, OHU received \$88,734 and \$54,828, respectively, of income from the trusts and these amounts are included in other sources 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% over the first seven years (Compliance Period); quarterly principal and interest (stated rate) payments are then required through 2044.

Notes receivable at June 30, 2020 and 2019, are as follows:

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| 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. | <u>\$ 6,910,576</u> | <u>\$ 6,910,576</u> |

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 THC's debt described in Note 8. Interest income was \$69,131 for each of the years ended June 30, 2020 and 2019.

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. Line of Credit and Note Payable

OHU has a \$7,000,000 revolving bank line of credit. Interest is payable monthly at floating LIBOR (0.162% and 2.40% at June 30, 2020 and 2019, respectively) plus 1.50%. The revolving line of credit was renewed and the maturity date was extended to March 31, 2021. Borrowings under the line of credit are collateralized by certain account assets. A total of \$0 was outstanding as of June 30, 2020 and 2019.

In August 2018, OHU executed a \$1,380,000 term promissory note to a bank. Interest only payments are due monthly at 4.40%. 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. This promissory note was subsequently paid in full after June 30, 2020.

## One Hope United

### Notes to Consolidated Financial Statements

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#### 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, 2020 and 2019, were as follows:

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| SCORE Sub-CDE 3, LLC Note A                       | \$ 5,000,000        | \$ 5,000,000        |
| Stonehenge Community Development LXIV, LLC Note A | 1,910,576           | 1,910,576           |
| Stonehenge Community Development LXIV, LLC Note B | 3,089,424           | 3,089,424           |
|   | <u>10,000,000</u>   | <u>10,000,000</u>   |
| Less unamortized deferred financing costs         | 78,323              | 143,142             |
|   | <u>\$ 9,921,677</u> | <u>\$ 9,856,858</u> |

All loans have a maturity date of September 30, 2044. The applicable interest rates amount to 1.73% 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 in the year ending June 30, 2045. 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. Net Assets with Donor Restrictions

Net assets with donor restrictions carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Restrictions may expire either because of the passage of time or because OHU has fulfilled the restriction. Donor-restricted gifts are reported as restricted contributions regardless of when the net assets are expended. Transfers of net assets with donor restrictions 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.

## One Hope United

### Notes to Consolidated Financial Statements

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#### Note 9. Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions at June 30, 2020 and 2019, consist of:

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Purpose restricted:                     |                     |                     |
| Educational scholarships                | \$ 210,790          | \$ 210,790          |
| Daycare programs                        | 39,210              | 39,210              |
| Other capital projects                  | 20,135              | 36,885              |
| Beneficial interest in perpetual trusts | 2,760,694           | 2,702,247           |
|   | <u>\$ 3,030,829</u> | <u>\$ 2,989,132</u> |

Beneficial interest in perpetual trusts consists of two related perpetual trusts to be held in perpetuity (as described in Note 5). Earnings generated from the perpetual trusts are without donor restrictions.

#### Note 10. Available Resources and Liquidity

OHU regularly monitors liquidity required to meet its annual operating needs and other commitments while also striving to maximize the return on investments of its funds not required for annual operations. As of June 30, 2020 and June 30, 2019, the following financial assets were available to meet the annual operating needs of the future fiscal year.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Financial assets at year end:   |                      |                      |
| Cash  | \$ 4,773,716         | \$ 1,303,258         |
| Accounts receivable, less allowances for doubtful accounts              | 7,667,695            | 6,921,913            |
| Investments in securities   | 12,068,547           | 12,099,695           |
| Leveraged loan receivable   | 6,910,576            | 6,910,576            |
| Note receivable   | 6,613                | 14,428               |
| Total financial assets  | <u>31,427,147</u>    | <u>27,249,870</u>    |
| Less amounts not available to be used within one year:                  |                      |                      |
| Investments used as loan collateral                                     | (1,380,000)          | (1,380,000)          |
| Leveraged loan receivable due after one year                            | (6,910,576)          | (6,910,576)          |
| Cash and investments with donor restrictions                            | (270,135)            | (286,885)            |
| Financial assets not available to be used within one year               | <u>(8,560,711)</u>   | <u>(8,577,461)</u>   |
| Financial assets available to meet general expenditures within one year | <u>\$ 22,866,436</u> | <u>\$ 18,672,409</u> |

Investments not subject to donor restrictions or collateral requirements are available to meet general expenditures, but any withdrawals are subject to approval by the Board. In the years ended June 30, 2020 and 2019, the Board approved spending distributions of 5% of the value of investments in securities, which value is calculated on a lagged-basis. Any additional drawdowns are subject to further Board approval.

OHU's \$1,380,000 note payable is collateralized by investments in securities and therefore such investments are not available for liquidity purposes as of June 30, 2020 and 2019.

See also Note 7 for information about OHU's revolving bank line of credit which provides an additional resource for liquidity.

## One Hope United

### Notes to Consolidated Financial Statements

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#### Note 11. State and Local Government Agency Support

OHU received approximately \$38,909,000 and \$36,671,000 of its support and revenue from the State of Illinois and other governmental agencies during the years ended June 30, 2020 and 2019, 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 12. Leases and Commitments

OHU leases office space and office equipment. These leases expire at various dates through October 2026. At June 30, 2020, 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: |                     |
| 2021                  | \$ 1,640,286        |
| 2022                  | 1,053,581           |
| 2023                  | 812,092             |
| 2024                  | 673,826             |
| 2025                  | 386,571             |
| Thereafter            | 272,027             |
|                       | <u>\$ 4,838,383</u> |

Rental expense under operating leases was \$2,244,852 and \$2,142,474 for the years ended June 30, 2020 and 2019, respectively.

#### Note 13. Retirement Plan

OHU employees participate in a 403(b) Plan, which is a defined contribution plan. Under this plan, OHU may contribute scheduled amounts that are a matched contribution up to 3% 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 did not make any contributions to the plan for the years ended June 30, 2020 and 2019.

#### Note 14. Related Party Transactions

One Hope United is a member of Conscience Community Network LLC (CCN), a member LLC with four other members. One Hope United has been determined to be the managing member of the LLC under the amended operating agreement dated September 18, 2015. Each member has 20% ownership in CCN. A senior leader of OHU serves as OHU's representative on the board of members.

OHU provides program services to clients on behalf of CCN and is paid accordingly under a service provider agreement between OHU and CCN. In addition, OHU serves as the employer of record for CCN staff and is reimbursed by CCN for its costs under an employment agreement between OHU and CCN. During fiscal year 2019, CCN's board of members provided a contribution to each of the members including OHU. During fiscal year 2020, no such contribution was provided.

## One Hope United

### Notes to Consolidated Financial Statements

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#### Note 14. Related Party Transactions (Continued)

Payments to OHU by CCN for the years ended June 30, 2020 and 2019, are reflected in private sources on the consolidated statements of activities and are as follows:

|                     | 2020              | 2019              |
|---------------------|-------------------|-------------------|
| Service payments    | \$ 277,493        | \$ 185,442        |
| Employment payments | 283,224           | 191,020           |
| Contribution        | -                 | 48,230            |
|                     | <u>\$ 560,717</u> | <u>\$ 424,692</u> |

Amounts due to OHU from CCN as of June 30, 2020 and 2019, are reflected in account receivable on the consolidated statements of financial position and are as follows:

|                     | 2020              | 2019             |
|---------------------|-------------------|------------------|
| Service payments    | \$ 55,169         | \$ 55,403        |
| Employment payments | 71,515            | 18,380           |
|                     | <u>\$ 126,684</u> | <u>\$ 73,783</u> |

#### Note 15. Commitments and Contingencies

OHU is involved in various legal proceedings in the normal course of business. OHU has been 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 16. Uncertainties and COVID-19

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, on March 13, 2020, the President of the United States declared COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. In addition, states that OHU operates in were subject to state and local emergency orders that impacted OHU's ability to provide services, generate revenues and incur planned expenses. Beginning in March, all of OHU's services were evaluated for continuation of operation subject to an organization-wide risk management protocol aligned with guidance from federal, state and local health departments that prioritized the safety of clients, staff and their families.

OHU operates 24/7 residential services in Illinois to support youth in the child welfare and juvenile systems; these programs continued to operate under OHU's risk management protocol and aligned with specific guidelines, and additional support, from DCFS. OHU operates early child care centers in Illinois; these programs were temporarily closed in March and re-opened in July subject to new capacity restrictions and additional risk management protocols. OHU operates case management services in Illinois and Florida for children and families involved in the child welfare system; these programs continued to operate under state guidelines for socially-distanced service delivery. OHU operates counseling and crisis-response services in Illinois for children, youth and adults; these programs continued to operate under state guidelines using telehealth and socially-distanced service protocols.

## **One Hope United**

### **Notes to Consolidated Financial Statements**

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#### **Note 16. Uncertainties and COVID-19 (Continued)**

OHU continues to monitor the impact of COVID-19 on its operations and has continued to update its risk management protocols to align with ongoing guidance from applicable health departments, licensing agencies and funding agencies. OHU anticipates ongoing impacts from COVID-19 through 2021, including reduced capacities and revenues in certain of its programs, namely its early learning programs and counseling programs.

#### **Note 17. Subsequent Events**

OHU has evaluated subsequent events for potential recognition and/or disclosure through February 19, 2021, the date the consolidated financial statements were available to be issued.