

# **One Hope United**

Consolidated Financial Report  
June 30, 2021

## Contents

---

Independent auditor's report	1-2
<hr/>	
Consolidated financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5-8
Consolidated statements of cash flows	9
Notes to consolidated financial statements	10-21

---



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, 2021 and 2020, 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, 2021 and 2020, 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 28, 2022

## One Hope United

### Consolidated Statements of Financial Position June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 17,838,915	\$ 4,773,716
Accounts receivable, less allowances for doubtful accounts of \$506,108 in 2021 and \$374,558 in 2020	7,071,509	7,667,695
Other current assets	1,331,008	1,261,170
Total current assets	<u>26,241,432</u>	<u>13,702,581</u>
Property and equipment:		
Land and buildings	19,096,263	19,096,263
Building improvements	4,482,058	4,256,023
Furniture and equipment	2,228,118	2,376,737
Vehicles	343,242	303,392
Leasehold improvements	227,952	1,002,611
Works in progress	46,590	-
	<u>26,424,223</u>	<u>27,035,026</u>
Less accumulated depreciation	13,356,131	12,980,120
Total property and equipment	<u>13,068,092</u>	<u>14,054,906</u>
Long-term assets:		
Investments in securities	14,105,897	12,068,547
Investments in farm land	3,304,000	3,055,920
Beneficial interest in perpetual trusts	2,924,407	2,760,694
Leveraged loan receivable	-	6,910,576
Note receivable	154	6,613
Total long-term assets	<u>20,334,458</u>	<u>24,802,350</u>
	<u>\$ 59,643,982</u>	<u>\$ 52,559,837</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 1,133,112	\$ 894,806
Accrued expenses	4,990,348	4,524,338
Deferred revenue	5,043,839	2,302,594
Total current liabilities	<u>11,167,299</u>	<u>7,721,738</u>
Long-term liabilities:		
Paycheck Protection Program loan payable	7,402,408	-
Note payable	-	1,380,000
NMTC notes payable, net	-	9,921,677
Total long-term liabilities	<u>7,402,408</u>	<u>11,301,677</u>
	<u>18,569,707</u>	<u>19,023,415</u>
Net assets:		
Without donor restrictions	37,829,332	30,505,593
With donor restrictions	3,244,943	3,030,829
Total net assets	<u>41,074,275</u>	<u>33,536,422</u>
	<u>\$ 59,643,982</u>	<u>\$ 52,559,837</u>

See notes to consolidated financial statements.

## One Hope United

### Consolidated Statements of Activities Years Ended June 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenues:		
Program support:		
Government sources	\$ 42,284,304	\$ 38,909,090
Private sources	12,269,883	12,594,846
Program service fees	1,036,493	2,903,571
Total program support	<u>55,590,680</u>	<u>54,407,507</u>
Public support:		
Contributions and bequests	1,607,751	725,438
In-kind contributions	10,134	19,776
Net assets released from restrictions	130,292	16,750
United Way agencies	226,902	266,746
Total public support	<u>1,975,079</u>	<u>1,028,710</u>
Investment gains	2,834,372	669,734
Gain on termination of New Markets Tax Credit program	3,052,077	-
Other sources	497,241	977,078
<b>Total revenues</b>	<u><b>63,949,449</b></u>	<u><b>57,083,029</b></u>
Expenses:		
Program services	50,953,351	50,084,157
General fundraising	747,550	835,049
Management and general	4,924,809	5,629,841
<b>Total expenses</b>	<u><b>56,625,710</b></u>	<u><b>56,549,047</b></u>
<b>Change in net assets without donor restrictions</b>	<u><b>7,323,739</b></u>	<u><b>533,982</b></u>
Changes in net assets with donor restrictions:		
Contributions	180,693	-
Change in value of beneficial interest in perpetual trusts	163,713	58,447
Net assets released from restrictions	<u>(130,292)</u>	<u>(16,750)</u>
<b>Change in net assets with donor restrictions</b>	<u><b>214,114</b></u>	<u><b>41,697</b></u>
<b>Change in net assets</b>	<u><b>7,537,853</b></u>	<u><b>575,679</b></u>
Net assets:		
Beginning	<u><b>33,536,422</b></u>	<u>32,960,743</u>
Ending	<u><b>\$ 41,074,275</b></u>	<u>\$ 33,536,422</u>

See notes to consolidated financial statements.

**One Hope United**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021**

	Program Services			Total Program Services
	Early Learning and Child Development	Placement Services	Community- Based Family Support Services	
Expenses:				
Salaries	\$ 6,532,437	\$ 11,702,801	\$ 10,894,835	\$ 29,130,073
Salary-related expenses	1,563,845	2,807,760	2,549,551	6,921,156
<b>Total salaries and related expenses</b>	<b>8,096,282</b>	<b>14,510,561</b>	<b>13,444,386</b>	<b>36,051,229</b>
Professional liability insurance	59,486	65,152	60,118	184,756
Bad debt provision	23,496	51,201	140,475	215,172
Professional fees and contract services	157,789	213,342	335,837	706,968
Legal fees	11,684	29,604	24,113	65,401
Audit fees	8,868	-	-	8,868
Interest	148,743	3,884	1,558	154,185
Supplies	782,130	472,585	165,073	1,419,788
Telephone	65,236	194,227	260,104	519,567
Postage and shipping	1,399	9,250	18,740	29,389
Rent	796,923	214,281	664,421	1,675,625
Other occupancy	989,797	1,078,636	183,320	2,251,753
Local transportation	30,861	509,700	1,050,057	1,590,618
Conferences, meetings and seminars	24,747	60,769	14,166	99,682
Specific assistance to individuals	20,459	442,670	3,324,163	3,787,292
Membership dues	1,973	18,542	6,357	26,872
Equipment purchases	45,103	286,736	210,665	542,504
Equipment rentals	25,633	25,363	11,607	62,603
In-kind contributions	-	5,320	4,813	10,133
Printing	41,452	1,968	6,033	49,453
Miscellaneous	320,611	61,909	4,501	387,021
<b>Total expenses before depreciation</b>	<b>11,652,672</b>	<b>18,255,700</b>	<b>19,930,507</b>	<b>49,838,879</b>
Depreciation	704,320	339,605	70,547	1,114,472
<b>Total expenses</b>	<b>\$ 12,356,992</b>	<b>\$ 18,595,305</b>	<b>\$ 20,001,054</b>	<b>\$ 50,953,351</b>

(Continued)

**One Hope United**

**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2021**

	General Fundraising	Management and General	Totals
<b>Expenses:</b>			
Salaries	\$ 453,949	\$ 2,106,910	\$ 31,690,932
Salary-related expenses	103,630	468,312	7,493,098
<b>Total salaries and related expenses</b>	<b>557,579</b>	<b>2,575,222</b>	<b>39,184,030</b>
Professional liability insurance	-	-	184,756
Bad debt provision	-	-	215,172
Professional fees and contract services	106,853	1,501,583	2,315,404
Legal fees	-	112,815	178,216
Audit fees	-	93,811	102,679
Interest	-	-	154,185
Supplies	3,956	2,102	1,425,846
Telephone	989	19,576	540,132
Postage and shipping	5,990	28,005	63,384
Rent	-	240,745	1,916,370
Other occupancy	-	5,113	2,256,866
Local transportation	4,467	49,350	1,644,435
Conferences, meetings and seminars	128	6,939	106,749
Specific assistance to individuals	-	-	3,787,292
Membership dues	4,476	39,106	70,454
Equipment purchases	5,914	163,909	712,327
Equipment rentals	-	4,924	67,527
In-kind contributions	-	-	10,133
Printing	332	22,686	72,471
Miscellaneous	56,468	41,628	485,117
<b>Total expenses before depreciation</b>	<b>747,152</b>	<b>4,907,514</b>	<b>55,493,545</b>
Depreciation	398	17,295	1,132,165
<b>Total expenses</b>	<b>\$ 747,550</b>	<b>\$ 4,924,809</b>	<b>\$ 56,625,710</b>

See notes to consolidated financial statements.



**One Hope United**

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

	Program Services			Total Program Services
	Early Learning and Child Development	Placement Services	Community- Based Family 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 Fundraising	Management and General	Totals
<b>Expenses:</b>			
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>	<b>651,506</b>	<b>2,781,612</b>	<b>39,920,091</b>
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>	<b>834,384</b>	<b>5,607,492</b>	<b>55,363,225</b>
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 Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 7,537,853	\$ 575,679
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,132,165	1,185,822
Amortization of deferred financing costs	41,476	64,819
Bad debt provision	215,172	330,717
Net realized and unrealized gains on investments	(2,325,369)	(291,850)
Change in unrealized gain on investments in farm land	(248,080)	(59,920)
Net loss on disposals of property and equipment	322,554	23,126
Change in value of beneficial interest in perpetual trusts	(163,713)	(58,447)
Gain on termination of New Markets Tax Credit program	(3,052,577)	-
Changes in:		
Accounts receivable	479,411	(1,076,499)
Accounts payable and accrued expenses	605,919	718,495
Deferred revenue	2,741,245	1,831,774
Other assets	(69,838)	316,435
<b>Net cash provided by operating activities</b>	<b>7,216,218</b>	<b>3,560,151</b>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	8,779,794	3,367,238
Purchases of investments	(8,491,775)	(3,044,240)
Purchases of property and equipment	(467,905)	(420,506)
Proceeds from note receivable	6,459	7,815
<b>Net cash used in investing activities</b>	<b>(173,427)</b>	<b>(89,693)</b>
Cash flows from financing activities:		
Borrowing under Paycheck Protection Program	7,402,408	-
Repayment on note payable	(1,380,000)	-
<b>Net cash provided by financing activities</b>	<b>6,022,408</b>	<b>-</b>
<b>Net increase in cash</b>	<b>13,065,199</b>	<b>3,470,458</b>
Cash:		
Beginning	4,773,716	1,303,258
Ending	<b>\$ 17,838,915</b>	<b>\$ 4,773,716</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<b>\$ 154,092</b>	<b>\$ 234,742</b>
Supplemental schedule of noncash investing and financing activities:		
New Markets Tax Credit termination:		
Forgiveness of leveraged loan receivable	<b>\$ 6,910,576</b>	<b>\$ -</b>
Forgiveness of NMTC notes payable, net	<b>\$ 9,963,153</b>	<b>\$ -</b>

See notes to consolidated financial statements.

## One Hope United

### 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.

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 hold the title to OHU's Early Learning Centers 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.

During the year ended June 30, 2021, in connection with the termination of the NMTC transaction, THC's operations were wound down. The title to the land and buildings of the Joliet and Aurora Early Learning Centers were transferred to OHU before June 30, 2021. THC is still in existence but all operations have ceased.

**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, 2021 and 2020, OHU had \$5,043,839 and \$2,302,594, respectively, of grant funding received in advance, for which qualifying expenses had not been incurred by year-end. These amounts are classified as deferred revenue on the consolidated 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 \$1,397,907 and \$1,170,000, as of June 30, 2021 and 2020, respectively, 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.

Program service fees represent day care services and early learning curriculums at OHU's early learning centers. OHU recognizes revenue for program service fees based on the satisfaction of performance obligations in the month services are provided. Program service fees do not include significant financing components as performance obligations are generally satisfied in the same month as the receipt of payment. In addition, there are no consideration amounts that are variable. Payments received in advance of OHU satisfying its performance obligations are recorded as deferred revenue.

## One Hope United

### Notes to Consolidated Financial Statements

---

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

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.

**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. The cost of an asset is capitalized at the time it is acquired if exceeds \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years.

**In-kind contributions:** OHU received contributions of services from outside corporations, including printing, advertising, and various goods, in the amount of \$10,134 and \$19,776 during the years ended June 30, 2021 and 2020, 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.

## One Hope United

### Notes to Consolidated Financial Statements

---

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

**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.

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.

**Adopted accounting pronouncements:** In fiscal year 2021, OHU adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 requires OHU to recognize the amount of revenue it expects to be entitled to for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in GAAP when it became effective. The adoption of the standard, which affects only program service fees revenue, did not have a material impact on the consolidated financial statements but resulted in additional disclosures.

In fiscal year 2021, OHU adopted 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 did not have a significant impact on the consolidated financial statements.

**Pending accounting pronouncements:** 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 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.

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

**Reclassifications:** Certain 2020 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.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 2. Accounts Receivable

Accounts receivable as of June 30, 2021 and 2020, net of allowances for doubtful accounts of \$506,108 and \$374,558, respectively, are summarized as follows:

	2021	2020
Supporting agencies:		
DCFS - Illinois	\$ 3,308,994	\$ 3,645,517
DHS - Illinois	1,149,810	1,186,659
Florida case management	969,134	1,185,403
Other governmental funding	1,522,685	1,219,556
Other	120,886	430,560
	<u>\$ 7,071,509</u>	<u>\$ 7,667,695</u>

#### Note 3. Investment Gains

Investment gains for the years ended June 30, 2021 and 2020, are comprised of the following:

	2021	2020
Interest and dividend income	\$ 260,923	\$ 317,964
Realized and unrealized gains - securities	2,325,369	291,850
Realized and unrealized gains - investments in farm land	248,080	59,920
	<u>\$ 2,834,372</u>	<u>\$ 669,734</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.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### 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, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. OHU assesses levels of the investments at each measurement date.

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, 2021 and 2020:

Description	June 30, 2021			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments in securities:				
Money market funds	\$ 1,758,407	\$ 1,758,407	\$ -	\$ -
Equity securities:				
U.S. small cap	1,438,923	1,438,923	-	-
U.S. mid cap	2,115,847	2,115,847	-	-
U.S. large cap	2,591,504	2,591,504	-	-
International equities	1,638,609	1,638,609	-	-
Emerging markets	658,573	658,573	-	-
Fixed income securities:				
U.S. fixed income funds	3,495,387	3,495,387	-	-
Non-U.S. fixed income funds	408,647	408,647	-	-
	<u>\$ 14,105,897</u>	<u>\$ 14,105,897</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in farm land	<u>\$ 3,304,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,304,000</u>
Beneficial interest in perpetual trusts	<u>\$ 2,924,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,924,407</u>
<b>June 30, 2020</b>				
Description	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	<u>\$ 3,055,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055,920</u>
Beneficial interest in perpetual trusts	<u>\$ 2,760,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,760,694</u>

## 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, 2021 and 2020:

	June 30, 2021		June 30, 2020	
	Investments in Farm Land	Beneficial Interest in Perpetual Trusts	Investments in Farm Land	Beneficial Interest in Perpetual Trusts
Balance, beginning of year	\$ 3,055,920	\$ 2,760,694	\$ 2,996,000	\$ 2,702,247
Change in value of perpetual trusts	-	163,713	-	58,447
Change in unrealized gain				
- investments in farm land	248,080	-	59,920	-
Balance, end of year	<u>\$ 3,304,000</u>	<u>\$ 2,924,407</u>	<u>\$ 3,055,920</u>	<u>\$ 2,760,694</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, 2021 and 2020:

	June 30, 2021 Fair Value	June 30, 2020 Fair Value	Valuation Technique	Unobservable Inputs	Range (Per Acre)
Farm land	\$ 3,304,000	\$ 3,055,920	Market (comparable sales)	Size	\$300
				Land mixture (e.g. tillable percentage, soil quality)	\$250 - \$575
				Topography/drainage	(\$800) - \$800

#### 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, 2021 and 2020, cash in both trusts combined was \$81,858 and \$82,366, respectively, and the estimated fair value of the 360 acres of farm land was \$3,817,352 and \$3,598,560, respectively. 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 \$2,924,407 and \$2,760,694 at June 30, 2021 and 2020, respectively. The income from the trusts is to be paid annually. During the years ended June 30, 2021 and 2020, OHU received \$85,405 and \$88,734, respectively, of income from the trusts and these amounts are included in other sources revenues on the consolidated statements of activities.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### 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 accrued 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 of \$112,592 were required through September 2044.

Upon the expiration of the Compliance Period in April 2021, OHU exercised its rights to terminate the NMTC program. This action resulted in forgiveness of this loan as well as extinguishment of THC's debt described in Note 8. This action resulted in a gain on termination of \$3,052,077.

Notes receivable at June 30, 2021 and 2020, are as follows:

	2021	2020
Stonehenge Illinois NMTC Investment Fund III, LLC	\$ -	\$ 6,910,576

#### Note 7. Line of Credit and Note Payable

OHU had a \$7,000,000 revolving bank line of credit. Interest was payable monthly at floating LIBOR (0.162% at June 30, 2020) plus 1.50%. No amounts were outstanding under this line at June 30, 2020. In March 2021, the revolving line of credit was converted to a \$2,500,000 margin line of credit. The margin line of credit was set to mature in March 2022 but was terminated by OHU on June 17, 2021.

In July 2021, OHU entered into a new \$7,000,000 revolving line of credit. Interest is payable at the Bloomberg short-term bank yield index rate plus 1.5%. Borrowings under the line of credit are collateralized by certain account assets.

In August 2018, OHU executed a \$1,380,000 term promissory note to a bank. Interest only payments were due monthly at 4.40%. The term promissory note matured on August 31, 2021, at which time all unpaid principal and interest become due. The note was collateralized by certain investments. This promissory note was paid in full in September 2020.

#### 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). The loans made to THC by the CDEs on September 15, 2014, were as follows at June 30, 2021 and 2020:

	2021	2020
SCORE Sub-CDE 3, LLC Note A	\$ -	\$ 5,000,000
Stonehenge Community Development LXIV, LLC Note A	-	1,910,576
Stonehenge Community Development LXIV, LLC Note B	-	3,089,424
	-	10,000,000
Less unamortized deferred financing costs	-	78,323
	\$ -	\$ 9,921,677

## One Hope United

### Notes to Consolidated Financial Statements

---

#### **Note 8. NMTC Notes Payable (Continued)**

All loans had 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 loans were collateralized by essentially all THC property and equipment.

The first seven years of the NMTC program were defined as the Compliance Period. Only interest was paid during the Compliance Period. Thereafter, the loans were amortized with principal and interest payments required through the maturity date in the year ending June 30, 2045.

Upon the expiration of the Compliance period in April 2021, OHU and THC executed a series of debt assignment agreements with its NMTC funders to terminate the NMTC program on April 27, 2021. This series of debt assignment agreements included the cancellation of OHU's \$6,910,578 note receivable from Stonehenge Illinois NMTC Investment Fund III; the assignment to OHU of THC's \$5,000,000 loan from SCORE Sub-CD 3, LLC and THC's \$5,000,000 loan from Stonehenge Community Development LXIV, LLC; and OHU's forgiveness of the \$10,000,000 loans to THC. The termination of the NMTC program resulted in the forgiveness of THC's \$10,000,000 debt, the cancellation of the related \$6,910,578 note receivable (described in Note 6) and a net gain on termination of \$3,052,077. Subsequently, THC transferred ownership of the underlying properties to OHU.

#### **Note 9. Paycheck Protection Program**

In April 2021, OHU applied for and received a loan from the Small Business Administration (SBA) for \$7,402,408 under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). OHU can use the loan for payroll, rent, mortgage interest, utility expenses, covered operations expenditures, covered supplier costs, and covered worker protection expenditures incurred during the period following receipt of the proceeds. The loan accrues interest at 1% and matures August 21, 2022.

OHU is accounting for the loan as a financial liability under FASB ASC 470, Debt. The loan is eligible for forgiveness if certain employee and compensation levels are maintained. OHU intends to apply for forgiveness of the loan. Such forgiveness will be recognized within the consolidated financial statements when, and to the extent, that it occurs.

#### **Note 10. 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

---

#### Note 10. Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions at June 30, 2021 and 2020, consist of:

	2021	2020
Purpose restricted:		
Educational scholarships	\$ 210,790	\$ 210,790
Daycare programs	-	39,210
Other capital projects	5,135	20,135
Other programs	104,611	-
Beneficial interest in perpetual trusts	2,924,407	2,760,694
	<u>\$ 3,244,943</u>	<u>\$ 3,030,829</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 11. 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, 2021 and 2020, the following financial assets were available to meet the annual operating needs of the future fiscal year.

	2021	2020
Financial assets at year end:		
Cash	\$ 17,838,915	\$ 4,773,716
Accounts receivable, less allowances for doubtful accounts	7,071,509	7,667,695
Investments in securities	14,105,897	12,068,547
Leveraged loan receivable	-	6,910,576
Note receivable	154	6,613
Total financial assets	<u>39,016,475</u>	<u>31,427,147</u>
Less amounts not available to be used within one year:		
Investments used as loan collateral	-	(1,380,000)
Leveraged loan receivable due after one year	-	(6,910,576)
Cash and investments with donor restrictions	(320,536)	(270,135)
Financial assets not available to be used within one year	<u>(320,536)</u>	<u>(8,560,711)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 38,695,939</u>	<u>\$ 22,866,436</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, 2021 and 2020, 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.

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

---

#### Note 12. State and Local Government Agency Support

OHU received approximately \$38,531,000 and \$38,909,000 of its support and revenue from the State of Illinois and other governmental agencies during the years ended June 30, 2021 and 2020, 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 13. Leases and Commitments

OHU leases office space and office equipment. These leases expire at various dates through August 2030. At June 30, 2021, 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:	
2022	\$ 1,510,406
2023	1,275,456
2024	1,154,158
2025	804,004
2026	581,116
Thereafter	821,324
	<u>\$ 6,146,464</u>

Rental expense under operating leases was \$2,074,153 and \$2,244,852 for the years ended June 30, 2021 and 2020, respectively.

#### Note 14. 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, 2021 and 2020.

#### Note 15. 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.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 15. Related-Party Transactions (Continued)

Payments to OHU by CCN for the years ended June 30, 2021 and 2020, are reflected in private sources revenues on the consolidated statements of activities and are as follows:

	2021	2020
Service payments	\$ 262,057	\$ 277,493
Administration payments	47,171	283,224
	<u>\$ 309,228</u>	<u>\$ 560,717</u>

Amounts due to OHU from CCN as of June 30, 2021 and 2020, are reflected in account receivable on the consolidated statements of financial position and are as follows:

	2021	2020
Service payments	\$ 28,881	\$ 55,169
Administration payments	2,990	71,515
	<u>\$ 31,871</u>	<u>\$ 126,684</u>

#### Note 16. 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 17. Uncertainties and COVID-19

During the COVID-19 pandemic, OHU has continued to operate 24/7 residential services in Illinois to support youth in the child welfare and juvenile systems. These programs continue to operate under OHU's risk management protocol and aligned with specific guidelines, and additional support, from DCFS. OHU operates early childcare centers in Illinois; these programs have remained open throughout this fiscal year with capacity restrictions and additional risk management protocols. OHU received support from the State of Illinois in the form of Child Care Restoration Grants. 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.

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 18. Subsequent Events

OHU has evaluated subsequent events for potential recognition and/or disclosure through February 28, 2022, the date the consolidated financial statements were available to be issued.