

INSPIRATION CORPORATION

**Consolidated Financial Statements
and Supplementary Information
(Including Reports Required by
OMB's Uniform Guidance)**

**For the Year Ended
June 30, 2019**

Inspiration Corporation

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Inspiration Corporation
Chicago, IL

We have audited the accompanying consolidated financial statements of Inspiration Corporation (a nonprofit organization) and its Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of Inspiration Corporation and its Subsidiary as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The accompanying consolidating supplementary information on Pages 16 through 18 and Schedule of Expenditures of Federal Awards on Page 19, as required by Title 2 *U.S Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. This information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2019 on our consideration of Inspiration Corporation's internal control over financial reporting with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inspiration Corporation's internal control over financial reporting.

Report on Summarized Comparative Information

We have previously audited Inspiration Corporation's consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Inspiration Corporation adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

December 2, 2019
Chicago, IL

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Years Ended June 30, 2019 and June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 65,978	\$ 104,613
Accounts receivable	25,650	29,042
Grant and contributions receivable, current portion	472,171	319,774
Due from government agencies	193,409	71,275
Prepaid expenses	15,773	20,087
Total current assets	<u>772,981</u>	<u>544,791</u>
Restricted cash	31,706	37,079
Grants and contributions receivable, net of current portion	10,000	250,000
Property and equipment, net	<u>1,727,522</u>	<u>1,889,965</u>
Total Assets	<u>\$ 2,542,209</u>	<u>\$ 2,721,835</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Line of credit	\$ 200,000	275,000
Current portion of long-term debt	3,930	3,711
Accounts payable	174,251	101,506
Escrow liabilities	25,163	25,163
Security deposit	3,792	3,807
Deferred revenue	51,240	113,660
Accrued payroll and related expenses	59,361	53,476
Total current liabilities	<u>517,737</u>	<u>576,323</u>
Long-term debt, net of current portion	<u>203,541</u>	<u>207,471</u>
Total liabilities	<u>721,278</u>	<u>783,794</u>
Net Assets		
Without donor restrictions	1,261,956	1,389,126
With donor restrictons	558,975	548,915
Total net assets	<u>1,820,931</u>	<u>1,938,041</u>
Total Liabilities and Net Assets	<u>\$ 2,542,209</u>	<u>\$ 2,721,835</u>

See independent auditor's report and notes to financial statements.

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2019 (with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>Public Support and Revenue</u>				
Contributions				
Foundation	\$ 618,466	\$ 288,975	\$ 907,441	\$ 653,787
Corporation	188,873	-	188,873	81,391
Individual	734,527	20,000	754,527	1,389,105
Government grants	1,328,505	-	1,328,505	1,034,101
In kind income	73,459	-	73,459	67,373
Other revenue without restrictions	19,310	-	19,310	12,728
 Programs				
Revenue	443,741	-	443,741	563,570
Less cost of goods sold	(121,796)	-	(121,796)	(167,976)
Net revenues from programs	321,945	-	321,945	395,594
 Special Events				
Sponsorships and ticket revenue	151,681	-	151,681	154,801
Less costs of direct benefits	(39,830)	-	(39,830)	(41,680)
Net revenues from special events	111,851	-	111,851	113,121
 Net assets released from restrictions	298,915	(298,915)	-	-
Total Public Support and Revenue	3,695,851	10,060	3,705,911	3,747,200
<u>Expenses</u>				
Program Services				
Employment	84,560	-	84,560	180,654
Training	1,158,090	-	1,158,090	1,448,888
Housing and Supportive	1,786,817	-	1,786,817	1,415,815
Total program services	3,029,467	-	3,029,467	3,045,357
 Management and general	382,293	-	382,293	396,742
Fundraising	411,261	-	411,261	403,010
Total Expenses	3,823,021	-	3,823,021	3,845,109
 Change in Net Assets	(127,170)	10,060	(117,110)	(97,909)
Net assets, beginning of year	1,389,126	548,915	1,938,041	2,035,950
Net assets, end of year	\$ 1,261,956	\$ 558,975	\$ 1,820,931	\$ 1,938,041

See independent auditor's report and notes to financial statements.

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 1,302,148	\$ 232,804	\$ 238,186	\$ 1,773,138	\$ 1,721,924
Payroll taxes and employee benefits	257,100	34,736	47,012	338,848	333,115
Management fee	7,533	-	-	7,533	6,431
Professional fees	109,195	37,473	4,257	150,925	174,889
Donated services	-	26,681	-	26,681	21,025
Rent subsidies	398,371	-	-	398,371	329,647
Direct support	159,917	-	130	160,047	235,000
Occupancy	237,406	11,730	27,647	276,783	271,323
Communications	22,775	1,556	3,511	27,842	27,706
Supplies	26,589	4,068	10,609	41,266	41,190
Program supplies	156,075	1,022	232	157,329	189,975
Donated materials	46,778	-	-	46,778	46,348
Equipment rental and maintenance	47,744	625	2,797	51,166	68,837
Marketing	7,931	-	4,550	12,481	22,380
Insurance	47,384	9,287	5,426	62,097	62,277
Printing and postage	4,742	1,860	7,630	14,232	17,292
Transportation	12,138	1,792	539	14,469	10,040
Staff development	2,816	1,916	750	5,482	6,410
Special events	-	-	20,352	20,352	15,776
Dues and subscriptions	11,205	1,496	4,458	17,159	10,610
Interest and bank fees	34,292	2,152	9,658	46,102	55,118
Depreciation	129,188	12,438	23,517	165,143	167,103
Bad debt	5,534	-	-	5,534	7,089
Miscellaneous	2,606	657	-	3,263	3,604
Total Expenses	\$ 3,029,467	\$ 382,293	\$ 411,261	\$ 3,823,021	\$ 3,845,109

See independent auditor's report and notes to financial statements.

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (117,110)	\$ (97,909)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	165,143	167,103
(Increase) decrease in assets		
Accounts receivable	3,392	(10,112)
Grants and contributions receivable	87,603	(296,672)
Due from government agencies	(122,134)	73,826
Prepaid expenses	4,314	3,562
Increase (decrease) in liabilities		
Accounts payable	72,745	(127,090)
Security deposit	(15)	1,009
Deferred revenue	(62,420)	103,573
Accrued payroll and related	5,885	6,109
Cash provided by (used in) operating activities	<u>37,403</u>	<u>(176,601)</u>
<u>Cash Flows (used in) Investing Activities</u>		
Acquisition of property and equipment	<u>(2,700)</u>	<u>(16,981)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from line of credit	600,000	775,000
Repayments on line of credit	(675,000)	(550,000)
Repayments of long-term debt	<u>(3,711)</u>	<u>(8,222)</u>
Cash provided by (used in) financing activities	<u>(78,711)</u>	<u>216,778</u>
Increase in cash and cash equivalents	(44,008)	23,196
Cash and cash equivalents, beginning of year	<u>141,692</u>	<u>118,496</u>
Cash and cash equivalents, end of year	<u>\$ 97,684</u>	<u>\$ 141,692</u>
Consists of:		
Cash and equivalents (current)	\$ 65,978	\$ 104,613
Restricted cash	<u>31,706</u>	<u>37,079</u>
Total cash and cash equivalents	<u>\$ 97,684</u>	<u>\$ 141,692</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for interest	<u>\$ 23,812</u>	<u>\$ 17,916</u>

See independent auditor's report and notes to financial statements.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Inspiration Corporation in Chicago, Illinois was incorporated on August 8, 1989 for the purpose of helping people who are affected by homelessness and poverty, to improve their lives and increase self-sufficiency through the provision of social services, employment training and placement, and housing. Additionally, the Foodservice Training program, operated within Inspiration Corporation's restaurants, provides skill- specific job training and employment placement.

5840 S. Dr. Martin Luther King Jr. Drive, LLC was established on September 27, 2011 to provide affordable and permanent supportive housing to low-income families, including those experiencing homelessness, in Chicago.

Principles of Consolidation

The consolidated financial statements include the accounts of Inspiration Corporation and 5840 S. Dr. Martin Luther King Jr. Drive, LLC (collectively, the Organization"). Inspiration Corporation is the sole member of 5840 S. Dr. Martin Luther King Drive, LLC. All material intercompany accounts and transaction have been eliminated in consolidation.

Basis of Accounting

The accounts and consolidated financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities in conformity with accounting principles generally accepted in the U.S. and applicable to non-profit organizations.

Basis of Presentation

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Organization.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The accounts may, at times, exceed the federally insured limit of \$250,000. The Organization has never experienced such losses in these accounts.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Restricted Cash

Restricted cash represents sinking fund accounts pursuant to terms of the note payable to Illinois Facilities Fund (see Note 7).

Accounts and Grants Receivable

Accounts and grants receivable consist of both unconditional promises to give by donors and amounts due from governmental agencies for services. Unconditional promises to give are recorded in the year the promises are made, either unrestricted, or restricted for the subsequent period. Amounts due from governmental agencies are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Accounts and grants receivable are carried net an allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. Management has deemed no allowance for doubtful accounts to be necessary at June 30, 2019.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose.

5840 S. Dr. Martin Luther King Jr. Drive, LLC is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, 5840 S. Dr. Martin Luther King Jr. Drive, LLC.

Management believes that it did not engage in any unrelated business activities; as such, no provision for income tax has been provided for in the financial statements. The Organization's Form 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after filing.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with a donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization did not receive any donations of this type during the year ended June 30, 2019.

Government Grants

Support funded by government grants, which qualify as conditional promises to give, are recognized when the contracted services have been performed. Revenue is therefore recognized as earned as the eligible expenses are incurred. These expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Management does not anticipate any adjustments for the revenue shown at June 30, 2019.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2019 amounted to \$3,594,638. Of this amount, approximately 19% was received from the U.S. Department of Housing and Urban Development. This funding source also represented approximately 16% of grants receivables balance at June 30, 2019.

Negative changes in the economy could have an impact on contributions, fundraising efforts as well as government grants.

In-Kind Services and Materials

The Organization records various types of in-kind support, including professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, (b) require specialized skills and are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The Organization received \$26,681 of contributed professional legal services in 2019, which are included in total in-kind revenue and expense. The Organization also received \$46,778 of food and other supplies used in program operations in 2019. In addition, a number of volunteers, including the Board of Directors, have made significant contributions of time to the Organization’s policy-making, program and support functions. However, the value of this contributed time does not meet the criteria for recognition of contributed services contained per Generally Accepted Accounting Principles and accordingly is not reflected in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, office and occupancy, which are allocated on a square-footage basis, as well as salaries & benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through December 2, 2019, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Not-for-Profit Financial Statement Presentation

During fiscal 2018, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows.

Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction of a net asset without donor restrictions where the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by the Organization as of June 30, 2019.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at June 30, 2019	
Cash and cash equivalents	\$ 97,684
Accounts and contributions receivable - short term	691,230
Liquidity resources available - line of credit available	150,000
Total financial assets and liquidity resources	<u>938,914</u>
Less restricted cash - debt reserves	(31,706)
Less net assets with donor restrictions	(558,975)
Add back time restrictions included in receivables	185,000
Total financial assets available within one year	<u><u>\$ 533,233</u></u>

The Organization provides various program services from which it receives city, state and federal reimbursement as well as significant pledges and contributions from individual, corporation and foundation donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes.

The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. To manage liquidity, the Organization defers expenses to the extent practicable and draws upon available lines of credit as needed to meet cash flow needs. During the year ended June 30, 2019 the level of liquidity and reserves was managed within the policy requirements.

Note 3 – Property and Equipment

Property and equipment are summarized as follows for the year ended June 30, 2019:

		<u>Depreciable Life - Years</u>
Buildings and building improvements	\$ 2,927,073	20
Land	60,000	-
Furniture and equipment	161,660	5
Vehicles	110,816	5
Total cost	<u>3,259,549</u>	
Accumulated depreciation	<u>1,532,027</u>	
Net property and equipment	<u><u>\$ 1,727,522</u></u>	

Depreciation expense was \$165,143 for 2019.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 4 – Pledges Receivable

The Organization records pledges in the period in which the promise is received. Payments due to be received beyond one year are recorded at a discounted amount.

Pledges receivable as of June 30, 2019 were comprised of the following:

Pledges receivable:	
Within one year	\$ 472,171
One to five years	<u>10,000</u>
	<u>\$ 482,171</u>

The Organization believes that all pledge receivables are fully collectible; therefore, no reserve has been recorded as of June 30, 2019.

Note 5 – Due from Governmental Agencies

The Organization has entered into contracts with the U.S. Department of Housing and Urban Development, the City of Chicago, Illinois, and other state and local government agencies. The contracts provide for reimbursement of subsidized services based on a per diem rate limited to a specified maximum.

The Organization believes that the amounts due from governmental agencies are fully collectible; therefore, no reserve has been recorded as of June 30, 2019.

Additionally, at June 30, 2019, the Organization received approximately \$514,000 in conditional promises to give related to these government grants. These amounts are not recorded on the Statement of Financial Position and are recognized as the conditions prescribed by the funding source agreements are met.

Note 6 – Line of Credit

In 2019, under a line of credit agreement, the Organization had available borrowings of \$350,000 from a bank. There were \$200,000 of outstanding borrowings on this line of credit as of June 30, 2019. Interest was payable monthly at the rate of six percent on June 30, 2019. The line of credit is secured by the Organization's outstanding accounts receivable. The note was renewed in 2019 and expires January 26, 2020.

Note 7 – Long-Term Debt

During 2012, the Organization entered into a promissory note to Illinois Facilities Fund in the amount of \$225,000 which is being amortized over a 30-year period, requiring monthly payments of \$1,313 applicable first to interest at the rate of 5.75% per annum with the balance to reduction of principle. At maturity, in February 2034, the loan will require an approximate \$121,000 balloon payment. The loan is secured by a first mortgage encumbering the project.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 7 – Long-Term Debt (cont.)

Principal maturities of long-term debt for each of the next five years, through maturity are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 3,930
2021	4,162
2022	4,408
2023	4,668
2024	4,944
Thereafter	185,359
Total	<u>\$ 207,471</u>

Pursuant to the loan agreement, the Organization is required to maintain various sinking funds, including a replacement reserve, operating deficit reserve, debt service reserve and tax and insurance reserve. As of June 30, 2019, these accounts amounted to \$31,706, and are reflected as restricted cash on the Consolidated Statement of Financial Position.

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are restricted for the following:

Pledges receivable with no-purpose restriction	\$ 125,000
Contributions restricted for purpose	433,975
	<u>\$ 558,975</u>

Note 9 – Contingencies

The Organization has received significant financial assistance from federal, state, and local agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements or contracts and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability.

Note 10 – Retirement Plan

The Organization has a defined contribution 401(k) retirement plan. The plan allows for eligible employees to defer compensation up to the statutory limit. The Organization provides matching contributions up to 1% of annual compensation. The Organization made matching contributions for participating employees totaling \$7,494 for the year ended June 30, 2019.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

Note 11 – Leases

The Organization leases office space and equipment under non-cancellable operating arrangements. These leases expired at various dates through June 2020. Rental expense for the fiscal year ended June 30, 2019 totaled \$126,000. Future minimum lease payment is \$126,000 in fiscal year 2020.

SUPPLEMENTARY INFORMATION

INSPIRATION CORPORATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
For the Year Ended June 30, 2019

	<u>Inspiration</u>	<u>King Dr</u>	<u>Consolidated</u>
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 49,995	\$ 15,983	\$ 65,978
Accounts receivable	21,548	4,102	25,650
Grant and contributions receivable, current portion	472,171	-	472,171
Due from government agencies	193,409	-	193,409
Prepaid expenses	8,930	6,843	15,773
Total current assets	<u>746,053</u>	<u>26,928</u>	<u>772,981</u>
Restricted cash	-	31,706	31,706
Grants and contributions receivable, net of current portion	10,000	-	10,000
Property and equipment, net	<u>1,542,522</u>	<u>185,000</u>	<u>1,727,522</u>
Total Assets	<u>\$ 2,298,575</u>	<u>\$ 243,634</u>	<u>\$ 2,542,209</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Line of credit	\$ 200,000	\$ -	\$ 200,000
Current portion of long-term debt	-	3,930	3,930
Accounts payable	163,650	10,601	174,251
Escrow liabilities	-	25,163	25,163
Security deposit	-	3,792	3,792
Deferred revenue	51,240	-	51,240
Accrued payroll and related expenses	<u>59,361</u>	<u>-</u>	<u>59,361</u>
Total current liabilities	<u>474,251</u>	<u>43,486</u>	<u>517,737</u>
Long-term debt, net of current portion	<u>-</u>	<u>203,541</u>	<u>203,541</u>
Total liabilities	<u>474,251</u>	<u>247,027</u>	<u>721,278</u>
Net Assets			
Without donor restrictions	1,265,349	(3,393)	1,261,956
With donor restrictions	<u>558,975</u>	<u>-</u>	<u>558,975</u>
Total net assets	<u>1,824,324</u>	<u>(3,393)</u>	<u>1,820,931</u>
Total Liabilities and Net Assets	<u>\$ 2,298,575</u>	<u>\$ 243,634</u>	<u>\$ 2,542,209</u>

INSPIRATION CORPORATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Inspiration</u>		<u>King Dr.</u>		<u>Consolidated</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Eliminations</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Public Support and Revenue</u>							
Contributions							
Foundation	\$ 618,466	\$ 288,975	\$ -	\$ -	\$ 618,466	\$ 288,975	\$ 907,441
Corporation	188,873	-	-	-	188,873	-	188,873
Individual	734,527	20,000	-	-	734,527	20,000	754,527
Government grants	1,291,133	-	37,372	-	1,328,505	-	1,328,505
In kind income	73,459	-	-	-	73,459	-	73,459
Other revenue without restrictions	18,361	-	949	-	19,310	-	19,310
Programs							
Revenue	387,333	-	56,408	-	443,741	-	443,741
Less cost of goods sold	(121,796)	-	-	-	(121,796)	-	(121,796)
Net revenues from programs	265,537	-	56,408	-	321,945	-	321,945
Special Events							
Sponsorships and ticket revenue	151,681	-	-	-	151,681	-	151,681
Less costs of direct benefits	(39,830)	-	-	-	(39,830)	-	(39,830)
Net revenues from special events	111,851	-	-	-	111,851	-	111,851
Net assets released from restrictions	298,915	(298,915)	-	-	298,915	(298,915)	-
Total Public Support and Revenue	3,601,122	10,060	94,729	-	3,695,851	10,060	3,705,911
<u>Expenses</u>							
Program Services							
Employment	84,560	-	-	-	84,560	-	84,560
Training	1,158,090	-	-	-	1,158,090	-	1,158,090
Housing and Supportive	1,675,624	-	111,193	-	1,786,817	-	1,786,817
Total program services	2,918,274	-	111,193	-	3,029,467	-	3,029,467
Management and general	382,293	-	-	-	382,293	-	382,293
Fundraising	411,261	-	-	-	411,261	-	411,261
Total Expenses	3,711,828	-	111,193	-	3,823,021	-	3,823,021
Change in Net Assets	(110,706)	10,060	(16,464)	-	(127,170)	10,060	(117,110)
Net assets, beginning of year (restated)	1,376,055	548,915	13,071	-	1,389,126	548,915	1,938,041
Net assets, end of year	<u>\$ 1,265,349</u>	<u>\$ 558,975</u>	<u>\$ (3,393)</u>	<u>\$ -</u>	<u>\$ 1,261,956</u>	<u>\$ 558,975</u>	<u>\$ 1,820,931</u>

**INSPIRATION CORPORATION AND
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019**

	Program Services					Supporting Services			
	Employment	Training	Housing and Supportive	King Drive Housing	Total Housing and Supportive	Total Program	Management and General	Fundraising	Total
Salaries	\$ 17,379	\$ 543,825	\$ 740,944	\$ -	\$ 740,944	\$ 1,302,148	\$ 232,804	\$ 238,186	\$ 1,773,138
Payroll taxes and employee benefits	5,160	107,459	144,481	-	144,481	257,100	34,736	47,012	338,848
Management fee	-	-	-	7,533	7,533	7,533	-	-	7,533
Professional fees	81	96,751	1,711	10,652	12,363	109,195	37,473	4,257	150,925
Donated services	-	-	-	-	-	-	26,681	-	26,681
Rent subsidies	-	-	398,371	-	398,371	398,371	-	-	398,371
Direct support	36,694	45,619	77,604	-	77,604	159,917	-	130	160,047
Occupancy	13,704	78,632	103,602	41,468	145,070	237,406	11,730	27,647	276,783
Communications	1,586	7,738	13,451	-	13,451	22,775	1,556	3,511	27,842
Supplies	459	13,526	10,558	2,046	12,604	26,589	4,068	10,609	41,266
Program supplies	-	121,694	34,381	-	34,381	156,075	1,022	232	157,329
Donated materials	-	-	46,778	-	46,778	46,778	-	-	46,778
Equipment rental and maintenance	336	22,418	10,704	14,286	24,990	47,744	625	2,797	51,166
Marketing	-	7,931	-	-	-	7,931	-	4,550	12,481
Insurance	874	16,718	19,609	10,183	29,792	47,384	9,287	5,426	62,097
Printing and postage	268	2,540	1,929	5	1,934	4,742	1,860	7,630	14,232
Transportation	-	4,317	7,821	-	7,821	12,138	1,792	539	14,469
Staff development	-	717	2,099	-	2,099	2,816	1,916	750	5,482
Special events	-	-	-	-	-	-	-	20,352	20,352
Dues and subscriptions	35	8,176	2,994	-	2,994	11,205	1,496	4,458	17,159
Interest and bank fees	542	16,626	4,111	13,013	17,124	34,292	2,152	9,658	46,102
Depreciation	7,442	62,242	52,004	7,500	59,504	129,188	12,438	23,517	165,143
Bad debt	-	-	1,472	4,062	5,534	5,534	-	-	5,534
Miscellaneous	-	1,161	1,000	445	1,445	2,606	657	-	3,263
Total Expenses	\$ 84,560	\$ 1,158,090	\$ 1,675,624	\$ 111,193	\$ 1,786,817	\$ 3,029,467	\$ 382,293	\$ 411,261	\$ 3,823,021

**REPORTS REQUIRED BY
OMB'S UNIFORM GUIDANCE**

INSPIRATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Contract Number	Pass-through to Subrecipients	Disbursements or Expenditures
U.S. Department of Housing and Urban Development				
Continuum of Care Program	14.267	IL0384L5T101709	\$ -	\$ 111,285
	14.267	IL0396L5T101608	-	6,910
	14.267	IL0396L5T101709	-	178,237
	14.267	IL0144L5T101609	-	12,391
	14.267	IL0144L5T101710	-	187,378
	14.267	IL1599L5T101700	-	117,224
	14.267	IL0496L5T101701	-	43,594
	14.267	IL0496L5T101802	-	12,155
			-	(1) 669,174
Passed through				
City of Chicago Department of Family and Support Services				
Community Development Block Grants/Entitlement Grants	14.218	67685	-	9,811
Community Development Block Grants/Entitlement Grants	14.218	85472	-	9,666
			-	19,477
Total U.S. Department of Housing and Urban Development			-	688,651
U.S. Department of Agriculture - Food and Nutrition Service				
Passed through				
Illinois Department of Human Services				
SNAP Employment and Training Pilots	10.596	15-762008	-	31,743
Total U.S. Department of Agriculture- Food and Nutrition Service			-	31,743
U.S. Department of Health and Human Services				
Passed through				
City of Chicago Department of Family and Support Services				
Community Services Block Grants	93.569	43878-2	-	64,176
Community Services Block Grants	93.569	85623	-	53,141
Total U.S. Department of Health and Human Services			-	117,317
U.S. Department of Homeland Security				
Passed through				
United Way Metro Chicago				
Emergency Food and Shelter National Board Program	97.024	LRO #237800-162	-	22,128
Total U.S. Department of Homeland Security			-	22,128
Total Expenditures of Federal Awards			\$ -	\$ 859,839

(1) Major Program

See accompanying notes to schedule of federal awards

INSPIRATION CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of Inspiration Corporation (the “Organization”), under programs of the federal government for the year June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this schedule presents only a selected portion of the operations of Inspiration Corporation it is not intended to and does not present the financial position, changes in net assets or cash flows of Inspiration Corporation.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *2 CFR Part 230 – Cost Principles for Non-Profit Organizations (OMB Circular A-122)*, wherein certain types or expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Sub-Recipients

Inspiration Corporation did not provide any federal awards to sub-recipients during the year ended June 30, 2019.

Note 4 – Small Business Administration

Amount of non – cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Inspiration Corporation
Chicago, IL

We have audited in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Inspiration Corporation (the Organization) and its Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

December 2, 2019
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal
Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
Inspiration Corporation
Chicago, IL

Report on Compliance for Each Major Federal Program

We have audited Inspiration Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Inspiration Corporation's major federal programs for the year ended June 30, 2019. Inspiration Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying consolidated schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Inspiration Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Inspiration Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Inspiration Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Inspiration Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Inspiration Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Inspiration Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Inspiration Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 2, 2019
Chicago, IL

**INSPIRATION CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be weakness(es)? _____ yes X no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance under 2 CFR section 200.516 (a)? _____ yes X no

Certification of Major Programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**INSPIRATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Federal Award Findings and Questioned Costs – Prior Year

N/A

**Illinois Department of Human Services
Grant Report and
Consolidated Financial Report**



State of Illinois
Department of Human Services

Grant Allowable Cost Summary

GRANT REPORT for the period July 1 through June 30, 2019

AGENCY NAME: Inspiration Corporation

FEIN: 36-3673980

	Program Name/Number/Contract Number/Other Identification	DHS GRANT - FUNDED SERVICES					All other Programs	Mgmt. & General	Total
		Program 1	Program 2	Program 3	Program 4	Program 5			
	FCSXH003								
A	Direct Program expenses	220,042					2,744,562	747,224	3,711,828
B	Allocate Management and General Costs (Note 1)	45,826						- 747,224	-0-
C	SUBTOTAL A & B	265,868					3,491,768	-0-	3,711,828
D	Subtract Unallowable costs per page 2	0							
E	Add other approved uses (attach documentation)								
F	TOTAL Allowable costs	265,868							
G	Special provisions (see instructions)								
H	Interest Earned (see instructions)								

NOTE 1: Management and General costs are allocated based on: direct salaries, total direct costs, other basis (attach explanation).

Inspiration Corporation
 Consolidated Year End Financial Report
 FY 2019

CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
420-30-0481	Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP		31,743	-	31,743
444-80-0658	Supportive Housing Program	265,868	-	66,467	332,335
	Other grant programs and activities		828,096	163,279	991,375
	All other costs not allocated			2,356,375	2,356,375
	Totals:	265,868	859,839	2,586,121	3,711,828