

INSPIRATION CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

June 30, 2018
and
For the Year then Ended

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, 2018, 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, 2018, 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 financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, including the Grant Report and the Consolidated Year-End Financial Report for the State of Illinois fiscal year ending June 30, 2018 are presented for purposes of additional analysis as required by the Illinois Department of Human Services and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 26, 2018 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.

Adjustments to Prior Period Financial Statements

The consolidated financial statements of Inspiration Corporation and its Subsidiary as of June 30, 2017, were audited by other auditors whose opinion dated December 20, 2017, expressed an unmodified opinion on those statements. As discussed in Note 2, Inspiration Corporation has restated its 2017 financial statements during the current year to correctly state the unrestricted and temporarily restricted balances, in accordance with accounting principles generally accepted in the United States of America. As part of our audit of the 2018 consolidated financial statements, we also audited adjustments described in Note 2 that were applied to the net asset components as reported with the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of Inspiration Corporation and its Subsidiary other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated financial statements as a whole.

Desmond & Ahern, Ltd

December 26, 2018
Chicago, IL



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, 2018, 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 26, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described below that we consider to be material weaknesses.

Preparation of Financial Statement in Accordance with GAAP

Our audit is performed in accordance with Generally Accepted Accounting Principles (GAAP). Management is responsible for establishing and maintaining internal control for the fair presentation of the accompanying audited financial statements and the related disclosures in conformity with GAAP. During the course of the audit we had to create a material journal entry to correct the Organization's prior period balances.

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 26, 2018
Chicago, IL

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2018

Assets

Current Assets

| | |
|---|----------------|
| Cash and cash equivalents | \$ 104,613 |
| Accounts receivable | 29,042 |
| Grant and contributions receivable, current portion | 319,774 |
| Due from government agencies | 71,275 |
| Prepaid expenses | 20,087 |
| Total current assets | <u>544,791</u> |

| | |
|---|------------------|
| Restricted cash | 37,079 |
| Grants and contributions receivable, net of current portion | 250,000 |
| Property and equipment, net | <u>1,889,965</u> |

Total Assets \$ 2,721,835

Liabilities and Net Assets

Current Liabilities

| | |
|--------------------------------------|----------------|
| Line of credit | \$ 275,000 |
| Accounts payable | 161,476 |
| Escrow liabilities | 25,163 |
| Security deposit | 3,807 |
| Deferred revenue | 53,690 |
| Accrued payroll and related expenses | 53,476 |
| Current portion of long-term debt | 3,711 |
| Total current liabilities | <u>576,323</u> |

| | |
|--|----------------|
| Long-term debt, net of current portion | <u>207,471</u> |
| Total liabilities | <u>783,794</u> |

Net Assets

| | |
|------------------------|------------------|
| Unrestricted | 1,389,126 |
| Temporarily restricted | 548,915 |
| Total net assets | <u>1,938,041</u> |

Total Liabilities and Net Assets \$ 2,721,835

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

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| <u>Public Support and Revenue</u> | | | |
| Contributions | \$ 1,575,368 | \$ 548,915 | \$ 2,124,283 |
| Government grants | 1,034,101 | - | 1,034,101 |
| In kind income | 67,373 | - | 67,373 |
| Other unrestricted revenue | 12,728 | - | 12,728 |
| Programs | | | |
| Revenue | 563,570 | - | 563,570 |
| Less cost of goods sold | (167,976) | - | (167,976) |
| Net revenues from programs | <u>395,594</u> | <u>-</u> | <u>395,594</u> |
| Special Events | | | |
| Sponsorships and ticket revenue | 154,801 | - | 154,801 |
| Less costs of direct benefits | (41,680) | - | (41,680) |
| Net revenues from special events | <u>113,121</u> | <u>-</u> | <u>113,121</u> |
| Net assets released from restrictions | <u>254,500</u> | <u>(254,500)</u> | <u>-</u> |
| Total Public Support and Revenue | <u>3,452,785</u> | <u>294,415</u> | <u>3,747,200</u> |
| <u>Expenses</u> | | | |
| Program Services | | | |
| Employment | 180,654 | - | 180,654 |
| Training | 1,448,888 | - | 1,448,888 |
| Housing and Supportive | 1,415,815 | - | 1,415,815 |
| Total program services | <u>3,045,357</u> | <u>-</u> | <u>3,045,357</u> |
| Management and general | 396,742 | - | 396,742 |
| Fundraising | 403,010 | - | 403,010 |
| Total Expenses | <u>3,845,109</u> | <u>-</u> | <u>3,845,109</u> |
| Change in Net Assets | (392,324) | 294,415 | (97,909) |
| Net assets, beginning of year (restated) | <u>1,781,450</u> | <u>254,500</u> | <u>2,035,950</u> |
| Net assets, end of year | <u>\$ 1,389,126</u> | <u>\$ 548,915</u> | <u>\$ 1,938,041</u> |

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

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

| | Program Services | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries | \$ 1,247,141 | \$ 234,414 | \$ 240,369 | \$ 1,721,924 |
| Payroll taxes and employee benefits | 255,113 | 36,374 | 41,628 | 333,115 |
| Management fee | 6,431 | - | - | 6,431 |
| Professional fees | 125,527 | 43,678 | 5,684 | 174,889 |
| Donated services | - | 20,962 | 63 | 21,025 |
| Rent subsidies | 329,647 | - | - | 329,647 |
| Direct support | 235,000 | - | - | 235,000 |
| Occupancy | 223,549 | 18,370 | 29,404 | 271,323 |
| Communications | 20,023 | 3,148 | 4,535 | 27,706 |
| Supplies | 28,110 | 3,841 | 9,239 | 41,190 |
| Program supplies | 189,975 | - | - | 189,975 |
| Donated materials | 45,374 | - | 974 | 46,348 |
| Equipment rental and maintenance | 67,694 | 343 | 800 | 68,837 |
| Marketing | 21,330 | - | 1,050 | 22,380 |
| Insurance | 48,470 | 8,330 | 5,477 | 62,277 |
| Printing and postage | 7,045 | 269 | 9,978 | 17,292 |
| Transportation | 8,157 | 1,288 | 595 | 10,040 |
| Staff development | 4,648 | 1,526 | 236 | 6,410 |
| Special events | - | - | 15,776 | 15,776 |
| Dues and subscriptions | 1,762 | 3,945 | 4,903 | 10,610 |
| Interest and bank fees | 44,766 | 2,828 | 7,524 | 55,118 |
| Depreciation | 132,453 | 9,975 | 24,675 | 167,103 |
| Bad debt | - | 7,089 | - | 7,089 |
| Miscellaneous | 3,142 | 362 | 100 | 3,604 |
| Total Expenses | \$ 3,045,357 | \$ 396,742 | \$ 403,010 | \$ 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, 2018

Cash Flows from Operating Activities

| | |
|---|------------------|
| Change in net assets | \$ (97,909) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 167,103 |
| (Increase) decrease in assets | |
| Accounts receivable | (10,112) |
| Grants and contributions receivable | (296,672) |
| Due from government agencies | 73,826 |
| Prepaid expenses | 3,562 |
| Increase (decrease) in liabilities | |
| Accounts payable | (67,120) |
| Security deposit | 1,009 |
| Deferred revenue | 43,603 |
| Accrued payroll and related | 6,109 |
| Cash (used by) operating activities | <u>(176,601)</u> |

Cash Flows (Used by) Investing Activities

| | |
|---------------------------------------|-----------------|
| Acquisition of property and equipment | <u>(16,981)</u> |
|---------------------------------------|-----------------|

Cash Flows from Financing Activities

| | |
|--|----------------|
| Proceeds from line of credit | 775,000 |
| Repayments on line of credit | (550,000) |
| Repayments of long-term debt | (8,222) |
| Cash provided by financing activities | <u>216,778</u> |

| | |
|---|--------------------------|
| Increase in cash and cash equivalents | 23,196 |
| Cash and cash equivalents, beginning of year | <u>118,496</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 141,692</u></u> |

Consists of:

| | |
|--|--------------------------|
| Cash and equivalents (current) | \$ 104,613 |
| Restricted cash | <u>37,079</u> |
| Total cash and cash equivalents | <u><u>\$ 141,692</u></u> |

Supplemental Disclosure of Cash Flow Information

| | |
|--|-------------------------|
| Cash paid during the year for interest | <u><u>\$ 17,916</u></u> |
|--|-------------------------|

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

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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 Presentation

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.

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to three classes: unrestricted, temporarily restricted and permanently restricted net assets. The Organization reports contributions and grants with donor-imposed restrictions that are met in the same year as unrestricted support on the Consolidated Statement of Activities.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. At June 30, 2018 the Organization had no permanently restricted net assets.

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.

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

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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

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, 2018.

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.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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

Support and Revenue (cont.)

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, 2018.

Government Grants

Support funded by government grants, which qualify as exchange transactions, 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, 2018.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2018 amounted to \$3,747,200. Of this amount, approximately 11% was received from City of Chicago Department of Family and Support Services. This funding source also represented approximately 10% of the accounts and grants receivables balance at June 30, 2018.

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

In-Kind Services and Assets

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.

The Organization received \$21,025 of contributed professional legal services in 2018, which are included in total in-kind revenue and expense. The Organization also received \$46,348 of food and other supplies used in program operations in 2018. 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.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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

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. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. 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 26, 2018, 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.

Note 2 – Correction of Misstatement

It was determined that there was a financials statement misstatement for the year ended June 30, 2017. The misstatement includes an overstatement of unrestricted net assets and an understatement of temporarily restricted net assets. As a result of this misstatement, the Organization has restated these amounts in the financial statements and an adjustment in the amount of \$74,033 has been made to the unrestricted and temporarily restricted net assets of June 30, 2017.

Note 3 – Property and Equipment

Property and equipment are summarized as follows for the year ended June 30, 2018:

| | 2018 | Depreciable Life - Years |
|-------------------------------------|---------------------|-----------------------------|
| Buildings and building improvements | \$ 2,924,373 | 20 |
| Land | 60,000 | - |
| Furniture and equipment | 166,614 | 5 |
| Vehicles | 110,816 | 5 |
| Total cost | <u>3,261,803</u> | |
| Accumulated depreciation | <u>1,371,838</u> | |
| Net property and equipment | <u>\$ 1,889,965</u> | |

Depreciation expense was \$167,103 for 2018.

CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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, 2018 were comprised of the following:

| | |
|-------------------|-------------------|
| Within one year | \$ 319,774 |
| One to five years | <u>250,000</u> |
| | <u>\$ 569,774</u> |

The Organization believes that all pledges receivable are fully collectible; therefore, no reserve has been recorded as of June 30, 2018.

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, 2018.

Note 6 – Line of Credit

In 2018, under a line of credit agreement, the Organization had available borrowings of \$350,000 from a bank. There were \$275,000 of outstanding borrowings on this line of credit as of June 30, 2018. Interest was payable monthly at the rate of six percent on June 30, 2018. The line of credit is secured by the Organization's outstanding accounts receivable. The note was renewed in 2017 and expires January 27, 2019.

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, 2018

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> |
|--------------------|-------------------|
| 2019 | \$ 3,711 |
| 2020 | 3,930 |
| 2021 | 4,162 |
| 2022 | 4,408 |
| 2023 | 4,668 |
| Thereafter | 190,303 |
| Total | <u>\$ 211,182</u> |

Note 8 – Temporarily Net Assets

Temporarily restricted net assets at June 30, 2018 are restricted for the following:

| | |
|--|-------------------|
| Pledges receivable with no-purpose restriction | \$ 40,000 |
| Contributions restricted for purpose | 508,915 |
| | <u>\$ 548,915</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 0.3% of annual compensation. The Organization made matching contributions for participating employees totaling \$1,701 for the years ended June 30, 2018.

Note 11 – Leases

The Organization lease 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, 2018 totaled \$151,289. Future minimum lease payments are as follows:

| | |
|------|-------------------|
| 2019 | \$ 126,000 |
| 2020 | 126,000 |
| | <u>\$ 252,000</u> |

Supplementary Information

INSPIRATION CORPORATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
For the Year Ended June 30, 2018

| | <u>Inspiration</u> | <u>King Dr</u> | <u>Consolidated</u> |
|---|-----------------------------------|---------------------------------|-----------------------------------|
| <u>Assets</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 89,324 | \$ 15,289 | \$ 104,613 |
| Accounts receivable | 20,026 | 9,016 | 29,042 |
| Grant and contributions receivable, current portion | 319,774 | - | 319,774 |
| Due from government agencies | 71,275 | - | 71,275 |
| Prepaid expenses | 13,299 | 6,788 | 20,087 |
| Total current assets | <u>513,698</u> | <u>31,093</u> | <u>544,791</u> |
| Restricted cash | - | 37,079 | 37,079 |
| Grants and contributions receivable, net of current portion | 250,000 | - | 250,000 |
| Property and equipment, net | 1,697,465 | 192,500 | 1,889,965 |
| Total Assets | <u><u>\$ 2,461,163</u></u> | <u><u>\$ 260,672</u></u> | <u><u>\$ 2,721,835</u></u> |
| <u>Liabilities and Net Assets</u> | | | |
| Current Liabilities | | | |
| Line of credit | \$ 275,000 | \$ - | \$ 275,000 |
| Accounts payable | 154,027 | 7,449 | 161,476 |
| Escrow liabilities | - | 25,163 | 25,163 |
| Security deposit | - | 3,807 | 3,807 |
| Deferred revenue | 53,690 | - | 53,690 |
| Accrued payroll and related expenses | 53,476 | - | 53,476 |
| Current portion of long-term debt | - | 3,711 | 3,711 |
| Total current liabilities | <u>536,193</u> | <u>40,130</u> | <u>576,323</u> |
| Long-term debt, net of current portion | - | 207,471 | 207,471 |
| Total liabilities | <u>536,193</u> | <u>247,601</u> | <u>783,794</u> |
| Net Assets | | | |
| Unrestricted | 1,376,055 | 13,071 | 1,389,126 |
| Temporarily restricted | 548,915 | - | 548,915 |
| Total net assets | <u>1,924,970</u> | <u>13,071</u> | <u>1,938,041</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,461,163</u></u> | <u><u>\$ 260,672</u></u> | <u><u>\$ 2,721,835</u></u> |

INSPIRATION CORPORATION
CONSOLIDATING STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2018

| | Inspiration | | King Dr. | | Consolidated | | |
|---|--------------------|------------------------|-----------------|--------------|---------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Unrestricted | Eliminations | Unrestricted | Temporarily Restricted | Total |
| <u>Public Support and Revenue</u> | | | | | | | |
| Contributions | \$ 1,575,368 | \$ 548,915 | \$ - | \$ - | \$ 1,575,368 | \$ 548,915 | \$ 2,124,283 |
| Government grants | 1,006,501 | - | 27,600 | - | 1,034,101 | - | 1,034,101 |
| In kind income | 67,373 | - | - | - | 67,373 | - | 67,373 |
| Other unrestricted revenue | 11,462 | - | 1,266 | - | 12,728 | - | 12,728 |
| Programs | | | | | | | |
| Revenue | 506,947 | - | 56,623 | - | 563,570 | - | 563,570 |
| Less cost of goods sold | (167,976) | - | - | - | (167,976) | - | (167,976) |
| Net revenues from programs | 338,971 | - | 56,623 | - | 395,594 | - | 395,594 |
| Special Events | | | | | | | |
| Sponsorships and ticket revenue | 154,801 | - | - | - | 154,801 | - | 154,801 |
| Less costs of direct benefits | (41,680) | - | - | - | (41,680) | - | (41,680) |
| Net revenues from special events | 113,121 | - | - | - | 113,121 | 113,121 | 113,121 |
| Net assets released from restrictions | 254,500 | (254,500) | - | - | 254,500 | (254,500) | - |
| Total Public Support and Revenue | 3,367,296 | 294,415 | 85,489 | - | 3,452,785 | 407,536 | 3,747,200 |
| <u>Expenses</u> | | | | | | | |
| Program Services | | | | | | | |
| Employment | 180,654 | - | - | - | 180,654 | - | 180,654 |
| Training | 1,448,888 | - | - | - | 1,448,888 | - | 1,448,888 |
| Housing and Supportive | 1,310,513 | - | 105,302 | - | 1,415,815 | - | 1,415,815 |
| Total program services | 2,940,055 | - | 105,302 | - | 3,045,357 | - | 3,045,357 |
| Management and general | 396,742 | - | - | - | 396,742 | - | 396,742 |
| Fundraising | 403,010 | - | - | - | 403,010 | - | 403,010 |
| Total Expenses | 3,739,807 | - | 105,302 | - | 3,845,109 | - | 3,845,109 |
| Change in Net Assets | (372,511) | 294,415 | (19,813) | - | (392,324) | 407,536 | (97,909) |
| Net assets, beginning of year (restated) | 1,748,566 | 254,500 | 32,884 | - | 1,781,450 | 254,500 | 2,035,950 |
| Net assets, end of year | \$ 1,376,055 | \$ 548,915 | \$ 13,071 | \$ - | \$ 1,389,126 | \$ 662,036 | \$ 1,938,041 |

**INSPIRATION CORPORATION AND
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - BEFORE ELIMINATIONS**

For the Year Ended June 30, 2018

| | Program Services | | | | | Supporting Services | | | Total |
|-------------------------------------|-------------------|---------------------|------------------------|--------------------|------------------------------|---------------------|------------------------|-------------------|---------------------|
| | Employment | Training | Housing and Supportive | King Drive Housing | Total Housing and Supportive | Total Program | Management and General | Fundraising | |
| Salaries | \$ 52,196 | \$ 662,583 | \$ 532,362 | \$ - | \$ 532,362 | \$ 1,247,141 | \$ 234,414 | \$ 240,369 | \$ 1,721,924 |
| Payroll taxes and employee benefits | 14,172 | 125,482 | 115,459 | - | 115,459 | 255,113 | 36,374 | 41,628 | 333,115 |
| Management fee | - | - | - | 6,431 | 6,431 | 6,431 | - | - | 6,431 |
| Professional fees | 500 | 109,394 | 2,908 | 12,725 | 15,633 | 125,527 | 43,678 | 5,684 | 174,889 |
| Donated services | - | - | - | - | - | - | 20,962 | 63 | 21,025 |
| Rent subsidies | - | - | 329,647 | - | 329,647 | 329,647 | - | - | 329,647 |
| Direct support | 80,918 | 79,913 | 74,169 | - | 74,169 | 235,000 | - | - | 235,000 |
| Occupancy | 16,745 | 62,254 | 112,738 | 31,812 | 144,550 | 223,549 | 18,370 | 29,404 | 271,323 |
| Communications | 1,920 | 10,830 | 7,273 | - | 7,273 | 20,023 | 3,148 | 4,535 | 27,706 |
| Supplies | 1,892 | 15,597 | 8,475 | 2,146 | 10,621 | 28,110 | 3,841 | 9,239 | 41,190 |
| Program supplies | - | 189,975 | - | - | - | 189,975 | - | - | 189,975 |
| Donated materials | - | 4,336 | 41,038 | - | 41,038 | 45,374 | - | 974 | 46,348 |
| Equipment rental and maintenance | 229 | 37,866 | 8,680 | 20,919 | 29,599 | 67,694 | 343 | 800 | 68,837 |
| Marketing | - | 21,330 | - | - | - | 21,330 | - | 1,050 | 22,380 |
| Insurance | 1,931 | 20,217 | 16,157 | 10,165 | 26,322 | 48,470 | 8,330 | 5,477 | 62,277 |
| Printing and postage | 304 | 4,676 | 2,065 | - | 2,065 | 7,045 | 269 | 9,978 | 17,292 |
| Transportation | 221 | 4,389 | 3,547 | - | 3,547 | 8,157 | 1,288 | 595 | 10,040 |
| Staff development | 295 | 2,453 | 1,900 | - | 1,900 | 4,648 | 1,526 | 236 | 6,410 |
| Special events | - | - | - | - | - | - | - | 15,776 | 15,776 |
| Dues and subscriptions | - | 1,178 | 584 | - | 584 | 1,762 | 3,945 | 4,903 | 10,610 |
| Interest and bank fees | 633 | 27,587 | 3,328 | 13,218 | 16,546 | 44,766 | 2,828 | 7,524 | 55,118 |
| Depreciation | 8,698 | 67,273 | 48,982 | 7,500 | 56,482 | 132,453 | 9,975 | 24,675 | 167,103 |
| Bad debt | - | - | - | - | - | - | 7,089 | - | 7,089 |
| Miscellaneous | - | 1,555 | 1,201 | 386 | 1,587 | 3,142 | 362 | 100 | 3,604 |
| Total Expenses | \$ 180,654 | \$ 1,448,888 | \$ 1,310,513 | \$ 105,302 | \$ 1,415,815 | \$ 3,045,357 | \$ 396,742 | \$ 403,010 | \$ 3,845,109 |

**Illinois Department of Human Services
Grant Report and
Consolidated Year-End Financial Report**



GRANT ALLOWABLE COST SUMMARY

GRANT REPORT for the period July 1 through June 30, 2018

AGENCY NAME: Inspiration Corporation

FEIN: 36-3673980

| | | IDHS GRANT - FUNDED SERVICES | | | | | ALL OTHER PROGRAMS | MANAGEMENT & GENERAL | TOTAL |
|--|---|------------------------------|-----------|-----------|-----------|-----------|--------------------|----------------------|-----------|
| | | PROGRAM 1 | PROGRAM 2 | PROGRAM 3 | PROGRAM 4 | PROGRAM 5 | | | |
| PROGRAM NAME/NUMBER/ ONTRACT NUMBER/OTHER IDENTIFICATION | | FCSWH00374 | | | | | | | |
| A | DIRECT PROGRAM EXPENSES | 138,977 | | | | | 2,801,078 | 799,752 | 3,739,807 |
| B | ALLOCATE MANAGEMENT AND GENERAL COSTS (NOTE 1) | 40,571 | | | | | - | 799,752 | -0- |
| C | SUBTOTAL A & B | 179,548 | | | | | 3,560,259 | -0- | 3,739,807 |
| D | SUBTRACT UNALLOWABLE COST PER PAGE 2 | | | | | | | | |
| E | ADD OTHER APPROVED USES (ATTACH DOCUMENTATION) | | | | | | | | |
| F | TOTAL ALLOWABLE COSTS | 179,548 | | | | | | | |
| G | SPECIAL PROVISIONS (SEE INSTUCTIONS) | | | | | | | | |
| H | INTEREST EARNED (SEE INSTRUCTIONS) | | | | | | | | |

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

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>

**INSPIRATION CORPORATION
CONSOLIDATED YEAR END FINANCIAL REPORT
FY 2018**

| CSFA # | Program Name | State | Federal | Other | Total |
|---------------|---|-------------------|-------------------|---------------------|---------------------|
| | Reduce Dependency and Increase Work | | | | |
| 420-30-0481 | Requirements and Work Effort Under SNAP | \$ 34,711 | \$ - | \$ - | \$ 34,711 |
| 444-80-0658 | Supportive Housing Program | 179,548 | - | 44,887 | 224,435 |
| | Other grant programs and activities | - | 656,520 | 135,409 | 791,929 |
| | All other costs not allocated | - | | 2,688,732 | 2,688,732 |
| | Totals: | \$ 214,259 | \$ 656,520 | \$ 2,869,028 | \$ 3,739,807 |