

INSPIRATION CORPORATION

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

**For the Year Ended
June 30, 2021**

Inspiration Corporation

Table of Contents

Independent Auditor’s Report	1 - 2
Consolidated Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 14
Supplementary Information	
Consolidating Statement of Financial Position	15
Consolidating Statement of Activities.....	16
Consolidating Statement of Functional Expenses	17
 <u>SECTION II</u>	
Reports Required by OMB’s Uniform Guidance	
Consolidated Schedule of Expenditures of Federal Awards.	18
Notes to the Consolidated Schedule of Expenditures of Federal Awards.....	19
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 <i>Government Auditing Standards</i>	20 - 21
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by The Uniform Guidance.....	22 - 23
Consolidated Schedule of Findings and Questioned Costs	24 - 25



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, 2021, 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, 2021, 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 and Schedule of Expenditures of Federal Awards, 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 January 20, 2022 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 the effectiveness of Inspiration Corporation's internal control over financial reporting or on compliance. 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 November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Desmond & Ahern, Ltd

January 20, 2022
Chicago, IL

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 931,710	\$ 426,373
Accounts receivable	37,038	29,717
Grant and contributions receivable, current portion	720,796	156,548
Due from government agencies	267,958	211,312
Prepaid expenses	18,319	16,056
Total current assets	<u>1,975,821</u>	<u>840,006</u>
Restricted cash	24,600	31,149
Grants and contributions receivable, net of current portion	75,000	-
Property and equipment, net	<u>1,523,114</u>	<u>1,661,869</u>
Total Assets	<u>\$ 3,598,535</u>	<u>\$ 2,533,024</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current portion of long-term debt	\$ 4,408	\$ 4,162
Accounts payable	158,627	70,324
Security deposits	4,050	4,098
Refundable advances	174,574	207,106
Refundable advance - paycheck protection program	386,495	386,495
Accrued payroll and related expenses	61,424	67,662
Deferred rent	1,350	-
Total current liabilities	<u>790,928</u>	<u>739,847</u>
Escrow liabilities	25,163	25,163
Long-term debt, net of current portion	<u>194,949</u>	<u>199,378</u>
Total liabilities	<u>1,011,040</u>	<u>964,388</u>
Net Assets		
Without donor restrictions	1,708,430	1,513,636
With donor restrictions	<u>879,065</u>	<u>55,000</u>
Total net assets	<u>2,587,495</u>	<u>1,568,636</u>
Total Liabilities and Net Assets	<u>\$ 3,598,535</u>	<u>\$ 2,533,024</u>

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

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<u>Public Support and Revenue</u>				
Contributions				
Foundation	\$ 865,788	\$ 454,562	\$ 1,320,350	\$ 614,168
Corporation	240,312	-	240,312	217,933
Individual	962,319	424,503	1,386,822	801,078
Government grants	1,830,783	-	1,830,783	1,701,342
In-kind income	140,441	-	140,441	222,214
Other revenue without restrictions	2,953	-	2,953	31,765
Programs				
Revenue	133,448	-	133,448	305,756
Less cost of goods sold	(9,462)	-	(9,462)	(62,687)
Net revenues from programs	123,986	-	123,986	243,069
Special Events				
Sponsorships and ticket revenue	144,140	-	144,140	161,760
Less costs of direct benefits	(15,179)	-	(15,179)	(44,958)
Net revenues from special events	128,961	-	128,961	116,802
Net assets released from restrictions	55,000	(55,000)	-	-
Total Public Support and Revenue	4,350,543	824,065	5,174,608	3,948,371
<u>Expenses</u>				
Program Services				
Training	996,651	-	996,651	1,276,234
Meals and supportive services	699,086	-	699,086	519,901
Housing	1,580,350	-	1,580,350	1,618,260
Total program services	3,276,087	-	3,276,087	3,414,395
Management and general	496,865	-	496,865	374,111
Fundraising	382,797	-	382,797	412,160
Total Expenses	4,155,749	-	4,155,749	4,200,666
Change in Net Assets	194,794	824,065	1,018,859	(252,295)
Net assets, beginning of year	1,513,636	55,000	1,568,636	1,820,931
Net assets, end of year	\$ 1,708,430	\$ 879,065	\$ 2,587,495	\$ 1,568,636

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

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	Program	Management and General	Fundraising	2021 Total	2020 Total
Salaries	\$ 1,291,463	\$ 271,032	\$ 274,515	\$ 1,837,010	\$ 1,796,589
Payroll taxes and employee benefits	231,893	37,884	40,265	310,042	316,311
Management fee	7,089	-	-	7,089	7,714
Professional fees	234,809	126,751	1,652	363,212	314,737
Rent subsidies	672,759	-	-	672,759	726,392
Direct support	115,681	-	-	115,681	129,070
Occupancy	217,715	20,976	24,167	262,858	277,930
Communications	35,634	5,951	3,832	45,417	31,393
Supplies	34,160	5,585	11,254	50,999	56,282
Program supplies	129,791	-	-	129,791	146,363
Equipment rental and maintenance	36,910	1,034	616	38,560	57,355
Marketing	603	1	1,374	1,978	4,488
Insurance	48,319	12,590	5,030	65,939	62,491
Printing and postage	2,714	185	7,281	10,180	11,519
Transportation	6,193	9	-	6,202	9,479
Staff development	1,385	-	-	1,385	6,295
Special events	-	-	-	-	14,142
Dues and subscriptions	6,423	1,631	4,681	12,735	13,658
Interest and bank fees	14,152	8,753	4,083	26,988	41,195
Depreciation	176,138	4,035	4,047	184,220	168,159
Bad debt	7,993	-	-	7,993	5,357
Miscellaneous	4,263	448	-	4,711	3,747
Total Expenses	\$ 3,276,087	\$ 496,865	\$ 382,797	\$ 4,155,749	\$ 4,200,666

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

INSPIRATION CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 1,018,859	\$ (252,295)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	184,220	168,159
(Increase) decrease in assets		
Accounts receivable	(7,321)	(4,067)
Grants and contributions receivable	(564,248)	325,623
Due from government agencies	(56,646)	(17,903)
Prepaid expenses	(2,263)	(283)
Increase (decrease) in liabilities		
Accounts payable	88,303	(103,927)
Security deposit	(48)	306
Refundable advances	(32,532)	155,866
Refundable advance- paycheck protection program		386,495
Accrued payroll and related	(6,238)	8,301
Deferred rent	1,350	-
Cash provided by operating activities	<u>623,436</u>	<u>666,275</u>
<u>Cash Flows (used in) Investing Activities</u>		
Acquisition of property and equipment	<u>(45,465)</u>	<u>(102,506)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from line of credit	-	450,000
Repayments on line of credit	-	(650,000)
Repayments of long-term debt	<u>(4,183)</u>	<u>(3,931)</u>
Cash (used in) financing activities	<u>(4,183)</u>	<u>(203,931)</u>
Increase in cash and cash equivalents	573,788	359,838
Cash and cash equivalents, beginning of year	<u>457,522</u>	<u>97,684</u>
Cash and cash equivalents, end of year	<u>\$ 1,031,310</u>	<u>\$ 457,522</u>
Consists of:		
Cash and cash equivalents (current)	\$ 931,710	\$ 426,373
Restricted cash	<u>24,600</u>	<u>31,149</u>
Total cash and cash equivalents	<u>\$ 956,310</u>	<u>\$ 457,522</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for interest	<u>\$ 13,224</u>	<u>\$ 21,534</u>

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

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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 return on endowment funds. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions.

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, 2021

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, 2021.

Property and Equipment

Expenditures for land, building, property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. Any donated property and equipment are recorded at their estimated fair value when received. Depreciation is computed on the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives ranging from 5 to 20 years. The Organization generally capitalizes items costing \$1,000 or more. 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.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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

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 recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit 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. It is the Organization's policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment as without donor restriction 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. During the year ending June 30, 2021 no such gifts of land, buildings, or equipment were received.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted. There was no contract revenue recorded in 2021 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had no contracts during 2021 that were performance reporting contracts. There are no contract assets or liabilities.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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

allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has \$174,574 in refundable advances from one government agency recorded at June 30, 2021.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2021 amounted to \$5,174,608. Of this amount, approximately 20% was received from the U.S. Department of Housing and Urban Development and 26% was received from four foundations. These funding sources also represented approximately 64% of the total receivable balance at June 30, 2021.

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.

The Organization received \$89,944 of contributed professional legal and consulting services in 2021, which are included in total in-kind revenue and expense. The Organization also received \$50,497 of food and other supplies used in program operations in 2021. 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.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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

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 January 20, 2022, 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 – Financial Assets and Liquidity Resources

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at June 30, 2021	
Cash and cash equivalents	\$ 956,310
Accounts and contributions receivable - short term	950,792
Liquidity resources available - line of credit available	350,000
Total financial assets available	<u>2,257,102</u>
Less restricted cash - debt reserves	(24,600)
Less net assets with donor restrictions	(879,065)
Add back time restrictions to be received next year	390,000
Total financial assets available within one year	<u>\$ 1,743,437</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, 2021 the level of liquidity and reserves was managed within the policy requirements.

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

Note 3 – Property and Equipment

Property and equipment are summarized as follows for the year ended June 30, 2021:

		<u>Depreciable Life - Years</u>
Buildings and building improvements	\$ 3,040,326	20
Land	60,000	-
Furniture and equipment	196,377	5
Vehicles	110,816	5
Total cost	<u>3,407,519</u>	
Accumulated depreciation	<u>1,884,405</u>	
Net property and equipment	<u><u>\$ 1,523,114</u></u>	

Depreciation expense was \$184,220 for 2021.

Note 4 – Grant and Contributions 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. Grant and contributions receivable of \$795,796 are due as follows:

<u>Fiscal Year</u>	
2022	\$ 645,796
2023	75,000
	<u><u>\$ 720,796</u></u>

The Organization believes that all pledge receivables are fully collectible; therefore, no reserve has been recorded as of June 30, 2021.

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, 2021.

Additionally, at June 30, 2021, the Organization received approximately \$477,000 in conditional promises to give related to these government grants. These amounts are not recorded on the Statement

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

Note 5 – Due from Governmental Agencies (cont.)

of Financial Position and are recognized as the conditions prescribed by the funding source agreements are met.

Note 6 – Line of Credit

In 2021, under a line of credit agreement, the Organization had available borrowings of \$350,000 from a bank. There was no amount of outstanding borrowings on this line of credit as of June 30, 2021. Interest was payable monthly at the rate of six percent on June 30, 2021. The line of credit is secured by the Organization’s outstanding accounts receivable. The note was renewed in 2021 and expires January 26, 2022.

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.

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>
2022	\$ 4,408
2023	4,668
2024	4,944
2025	5,236
2026	5,545
Therafter	174,556
Total	<u>\$ 199,357</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, 2021, these accounts amounted to \$24,600, 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, 2021 are restricted for the following:

Contributions restricted for time	\$ 390,000
Contributions restricted for purpose	489,065
	<u>\$ 879,065</u>

INSPIRATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

Note 9 – 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 \$10,123 for the year ended June 30, 2021.

Note 10 – Leases

The Organization leases office space and equipment under non-cancellable operating arrangements. These leases expire at various dates through June 2022. Rental expense for the fiscal year ended June 30, 2021 totaled \$130,650.

Future minimum lease payments are \$132,000 due in 2022 under the operating leases.

Note 11 – Paycheck Protection Loan

In April 2020, the Organization received loan proceeds in the amount of approximately \$386,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has been using the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. As of June 30, 2021, the full \$386,495 remains as a refundable advance in until the loan is explicitly waived. In August, 2021, the SBA approved the Organizations loan forgiveness.

SUPPLEMENTARY INFORMATION

INSPIRATION CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2021

	<u>Inspiration</u>	<u>King Dr</u>	<u>Consolidated</u>
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 930,746	\$ 964	\$ 931,710
Accounts receivable	29,632	7,406	37,038
Grant and contributions receivable, current portion	720,796	-	720,796
Due from government agencies	267,958	-	267,958
Prepaid expenses	11,942	6,377	18,319
Total current assets	<u>1,961,074</u>	<u>14,747</u>	<u>1,975,821</u>
Restricted cash	-	24,600	24,600
Grants and contributions receivable, net of current	75,000	-	75,000
Property and equipment, net	1,353,114	170,000	1,523,114
Total Assets	<u>\$ 3,389,188</u>	<u>\$ 209,347</u>	<u>\$ 3,598,535</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Current portion of long-term debt	\$ -	\$ 4,408	\$ 4,408
Accounts payable	146,318	12,309	158,627
Security deposits	-	4,050	4,050
Refundable advances	174,574	-	174,574
Refundable advance - paycheck protection program	386,495	-	386,495
Accrued payroll and related expenses	61,424	-	61,424
Deferred rent	1,350	-	1,350
Total current liabilities	<u>770,161</u>	<u>20,767</u>	<u>790,928</u>
Escrow liabilities	-	25,163	25,163
Long-term debt, net of current portion	-	194,949	194,949
Total liabilities	<u>770,161</u>	<u>240,879</u>	<u>1,011,040</u>
Net Assets			
Without donor restrictions	1,739,962	(31,532)	1,708,430
With donor restrictions	879,065	-	879,065
Total net assets	<u>2,619,027</u>	<u>(31,532)</u>	<u>2,587,495</u>
Total Liabilities and Net Assets	<u>\$ 3,389,188</u>	<u>\$ 209,347</u>	<u>\$ 3,598,535</u>

INSPIRATION CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Inspiration		King Dr.		Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
<u>Public Support and Revenue</u>							
Contributions							
Foundation	\$ 865,788	\$ 454,562	\$ -	\$ -	\$ 865,788	\$ 454,562	\$ 1,320,350
Corporation	240,312	-	-	-	240,312	-	240,312
Individual	962,319	424,503	-	-	962,319	424,503	1,386,822
Government grants	1,785,099	-	45,684	-	1,830,783	-	1,830,783
In-kind income	140,441	-	-	-	140,441	-	140,441
Other revenue without restrictions	1,551	-	1,402	-	2,953	-	2,953
Programs							
Revenue	85,632	-	47,816	-	133,448	-	133,448
Less cost of goods sold	(9,462)	-	-	-	(9,462)	-	(9,462)
Net revenues from programs	76,170	-	47,816	-	123,986	-	123,986
Special Events							
Sponsorships and ticket revenue	144,140	-	-	-	144,140	-	144,140
Less costs of direct benefits	(15,179)	-	-	-	(15,179)	-	(15,179)
Net revenues from special events	128,961	-	-	-	128,961	-	128,961
Net assets released from restrictions	55,000	(55,000)	-	-	55,000	(55,000)	-
Total Public Support and Revenue	4,255,641	824,065	94,902	-	4,350,543	824,065	5,174,608
<u>Expenses</u>							
Program Services							
Training	996,651	-	-	-	996,651	-	996,651
Meals and supportive services	699,086	-	-	-	699,086	-	699,086
Housing	1,472,476	-	107,874	-	1,580,350	-	1,580,350
Total program services	3,168,213	-	107,874	-	3,276,087	-	3,276,087
Management and general	496,865	-	-	-	496,865	-	496,865
Fundraising	382,797	-	-	-	382,797	-	382,797
Total Expenses	4,047,875	-	107,874	-	4,155,749	-	4,155,749
Change in Net Assets	207,766	824,065	(12,972)	-	194,794	824,065	1,018,859
Net assets, beginning of year	1,532,196	55,000	(18,560)	-	1,513,636	55,000	1,568,636
Net assets, end of year	\$ 1,739,962	\$ 879,065	\$ (31,532)	\$ -	\$ 1,708,430	\$ 879,065	\$ 2,587,495

**INSPIRATION CORPORATION AND
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021**

	Program Services					Supporting Services			
	Training	Meals and Supportive Services	Housing	King Drive Housing	Total Housing	Total Program	Management and General	Fundraising	Total
Salaries	\$ 506,831	\$ 292,739	\$ 491,893	\$ -	\$ 491,893	\$ 1,291,463	\$ 271,032	\$ 274,515	\$ 1,837,010
Payroll taxes and employee benefits	100,001	44,576	87,316	-	87,316	231,893	37,884	40,265	310,042
Management fee	-	-	-	7,089	7,089	7,089	-	-	7,089
Professional fees	50,551	143,666	30,417	10,175	40,592	234,809	126,751	1,652	363,212
Rent subsidies	-	-	672,759	-	672,759	672,759	-	-	672,759
Direct support	39,277	13,058	63,346	-	63,346	115,681	-	-	115,681
Occupancy	66,468	63,722	42,792	44,733	87,525	217,715	20,976	24,167	262,858
Communications	6,158	8,303	21,173	-	21,173	35,634	5,951	3,832	45,417
Supplies	15,747	4,504	11,459	2,450	13,909	34,160	5,585	11,254	50,999
Program supplies	31,219	94,477	4,095	-	4,095	129,791	-	-	129,791
Equipment rental and maintenance	14,453	7,893	3,154	11,410	14,564	36,910	1,034	616	38,560
Marketing	603	-	-	-	-	603	1	1,374	1,978
Insurance	13,616	5,023	21,269	8,411	29,680	48,319	12,590	5,030	65,939
Printing and postage	959	1,308	447	-	447	2,714	185	7,281	10,180
Transportation	1,630	1,262	3,301	-	3,301	6,193	9	-	6,202
Staff development	230	-	1,155	-	1,155	1,385	-	-	1,385
Dues and subscriptions	6,363	-	60	-	60	6,423	1,631	4,681	12,735
Interest and bank fees	68	860	-	13,224	13,224	14,152	8,753	4,083	26,988
Depreciation	141,270	15,888	11,480	7,500	18,980	176,138	4,035	4,047	184,220
Bad debt	-	-	5,360	2,633	7,993	7,993	-	-	7,993
Miscellaneous	1,207	1,807	1,000	249	1,249	4,263	448	-	4,711
Total Expenses	\$ 996,651	\$ 699,086	\$ 1,472,476	\$ 107,874	\$ 1,580,350	\$ 3,276,087	\$ 496,865	\$ 382,797	\$ 4,155,749

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

INSPIRATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

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	N/A	\$ - (1)	\$ 1,031,423
			-	1,031,423
Passed through				
City of Chicago Department of Family and Support Services				
Community Development Block Grants/Entitlement Grants	14.218	85472	-	16,184
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	158754	-	10,789
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	135966	-	5,728
			-	32,701
COVID-19 Emergency Solutions Grant Program	14.231	146604	-	7,454
			-	40,155
Total U.S. Department of Housing and Urban Development			-	1,071,578
U.S. Department of Agriculture - Food and Nutrition Service				
Passed through				
Illinois Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FCSYG05231	-	47,640
Total U.S. Department of Agriculture- Food and Nutrition Service			-	47,640
U.S. Department of Health and Human Services				
Passed through				
City of Chicago Department of Family and Support Services				
Community Services Block Grant				
1/1/2020 - 12/31/2020	93.569	85623	-	67,787
1/1/2021 - 12/31/2021	93.569	85623	-	51,306
Total U.S. Department of Health and Human Services			-	119,093
U.S. Department of Homeland Security				
Passed through				
United Way Metro Chicago				
Emergency Food and Shelter National Board Program	97.024	LRO #237800-162	-	84,893
Total U.S. Department of Homeland Security			-	84,893
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,323,204</u>

(1) Major Program

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

INSPIRATION CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

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, 2021. 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, 2021.

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, 2021, 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 January 20, 2022.

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

January 20, 2022
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, 2021. 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, 2021.

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.

Desmond & Ahern, Ltd

January 20, 2022
Chicago, IL

**INSPIRATION CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2021**

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? X yes _____ no

**INSPIRATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

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

None