

**United Cerebral Palsy Seguin of Greater Chicago
Audit Report
For the Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Cerebral Palsy Seguin of Greater Chicago
Cicero, Illinois

We have audited the accompanying financial statements of **United Cerebral Palsy Seguin of Greater Chicago** (UCP Seguin), an Illinois corporation and not-for-profit, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements 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. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 above present fairly, in all material respects, the consolidated financial position of United Cerebral Palsy Seguin of Greater Chicago as of June 30, 2018, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited UCP Seguin's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Selden Fox, Ltd.

November 19, 2018

United Cerebral Palsy Seguin of Greater Chicago
Consolidated Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

Assets	2018	2017
Cash	\$ 181,246	\$ 2,309,804
Receivables:		
State of Illinois	2,277,728	1,754,329
Work contracts	10,682	7,199
Capital campaign	101,850	-
Due from NHRMA	200,821	200,821
Other	2,199,016	1,479,997
Less allowance for doubtful accounts	(146,705)	(51,452)
Receivables, net	4,643,392	3,390,894
Inventory	993,262	946,049
Prepaid expenses	273,546	203,366
Security deposits	45,070	39,395
Investments	3,016,045	2,821,959
Property and equipment, net	22,231,912	25,289,273
	\$ 31,384,473	\$ 35,000,740
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 599,002	\$ 689,106
Accrued salaries	3,250,339	3,246,936
Accrued expenses	452,209	353,525
Deferred revenue	84,817	169,686
Short-term borrowings	200,000	2,965,000
Long-term debt	8,062,697	7,317,497
Total liabilities	12,649,064	14,741,750
Net assets:		
Permanently restricted	148,000	148,000
Temporarily restricted	11,375,841	13,428,628
Unrestricted	7,211,568	6,682,362
Total net assets	18,735,409	20,258,990
	\$ 31,384,473	\$ 35,000,740

See accompanying notes.

United Cerebral Palsy Seguin of Greater Chicago
Consolidated Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Public support and revenue:					
Public support:					
State of Illinois, purchase of service:					
Department of Human Services	\$ 22,264,379	\$ -	\$ -	\$ 22,264,379	\$ 20,552,151
Department of Children and Family Services	8,379,737	-	-	8,379,737	9,296,076
Government Grants	266,627	-	-	266,627	243,159
Department of Education	1,267,336	-	-	1,267,336	1,081,337
Community Development Block Grants	104,251	417,300	-	521,551	663,413
IHDA Funding	107,334	-	-	107,334	-
Community Mental Health Act (708)	329,224	-	-	329,224	298,066
Contributions	2,953,601	672,184	-	3,625,785	3,504,203
Total public support	35,672,489	1,089,484	-	36,761,973	35,638,405
Revenue:					
Work contracts/training	94,223	-	-	94,223	135,304
Client fees	4,114,609	-	-	4,114,609	3,857,569
Rental income	240,143	-	-	240,143	289,358
Investment income	170,721	-	-	170,721	305,726
Loss on sale of assets	(1,247,129)	-	-	(1,247,129)	(5,349)
Forgiveness of debt	-	-	-	-	48,723
Other	599,482	-	-	599,482	560,097
Net assets released from restrictions	3,142,271	(3,142,271)	-	-	-
Total revenue	7,114,320	(3,142,271)	-	3,972,049	5,191,428
Total public support and revenue	42,786,809	(2,052,787)	-	40,734,022	40,829,833
Expenses:					
Program services	38,554,145	-	-	38,554,145	37,282,213
Supporting services	3,703,458	-	-	3,703,458	3,771,940
Total expenses	42,257,603	-	-	42,257,603	41,054,153
Change in net assets	529,206	(2,052,787)	-	(1,523,581)	(224,320)
Net assets:					
Beginning of the period	6,682,362	13,428,628	148,000	20,258,990	20,483,310
End of the period	\$ 7,211,568	\$ 11,375,841	\$ 148,000	\$ 18,735,409	\$ 20,258,990

See accompanying notes.

**United Cerebral Palsy Seguin of Greater Chicago
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	Program Services											Supporting Services		Total		
	Develop- mental Training	Foster Care	Supported Employment	Community Integrated Living Arrangement	Community Supported Living Arrangement	HBS	Respite	SeniorCares	UCP Seguin Enterprises	Infinitec	Ramp Up	Total by Program	Fund-raising and Development	Admin- istrative	2018	2017
Salaries and related expenses	\$ 5,550,095	\$ 6,857,996	\$ 547,063	\$ 11,939,283	\$ 398,190	\$ 297,662	\$ 82,781	\$ 1,884,350	\$ 727,118	\$ 2,152,457	\$ 202,166	\$ 30,639,161	\$ 566,290	\$ 2,432,114	\$ 33,637,565	\$ 31,984,900
Consumable supplies	146,421	200,666	8,797	263,056	4,146	-	6,444	36,644	206,722	1,606,005	75	2,478,976	7,274	64,815	2,551,065	2,711,753
Occupancy	290,145	119,598	758	665,275	745	257	9,183	82,742	56,015	87,401	-	1,312,119	-	135,668	1,447,787	1,465,339
Local transportation	253,522	189,955	55,179	350,452	12,091	12,771	3,849	34,496	23,519	41,033	2,492	979,359	1,522	18,847	999,728	1,141,087
Equipment purchase	13,265	309	2,656	53,892	284	1,214	-	8,749	11,956	3,577	-	95,902	340	6,795	103,037	214,075
Leasing and rental	31,314	18,047	4,121	199,059	7	-	-	-	420	35,384	4,039	292,391	496	83,686	376,573	440,938
Interest	64,898	4,356	-	273,554	-	-	1,604	26,494	-	-	-	370,906	-	13,414	384,320	362,940
Miscellaneous	167,419	70,977	10,113	257,183	2,859	6,076	2,407	32,330	39,413	343,332	10,451	942,560	47,050	123,294	1,112,904	1,184,015
Total expenses before depreciation	6,517,079	7,461,904	628,687	14,001,754	418,322	317,980	106,268	2,105,805	1,065,163	4,269,189	219,223	37,111,374	622,972	2,878,633	40,612,979	39,505,047
Depreciation	247,398	80,536	8,978	746,051	2,174	1,731	7,298	98,944	64,743	184,918	-	1,442,771	1,300	200,553	1,644,624	1,549,106
Total expenses	\$ 6,764,477	\$ 7,542,440	\$ 637,665	\$ 14,747,805	\$ 420,496	\$ 319,711	\$ 113,566	\$ 2,204,749	\$ 1,129,906	\$ 4,454,107	\$ 219,223	\$ 38,554,145	\$ 624,272	\$ 3,079,186	\$ 42,257,603	\$ 41,054,153

See accompanying notes.

United Cerebral Palsy Seguin of Greater Chicago
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,523,581)	\$ (224,320)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,644,624	1,549,106
Amortization	25,989	18,061
(Gain) on forgiveness of debt	-	(48,723)
Investments donation	(20,101)	-
Property and equipment contributions	(45,089)	(79,738)
(Gain) on investments	(93,759)	(245,930)
Loss on sale of property and equipment	1,247,129	5,349
Changes in other working capital items:		
Receivables	(1,399,498)	(920,541)
Inventory	(54,198)	(130,369)
Prepaid expenses	(70,180)	(29,282)
Security deposits	(5,675)	(1,233)
Accounts payable	(90,104)	(296,754)
Accrued expenses	102,087	65,311
Deferred revenue	(84,869)	(59,820)
Net cash from operating activities	(367,225)	(398,883)
Cash flows from investing activities:		
Proceeds from sale of equipment	1,348,756	73,552
Purchase of property and equipment	(1,131,074)	(2,331,641)
Purchase of investments	(605,905)	(1,115,885)
Proceeds from sale of investments	525,679	1,059,231
Net cash from investing activities	137,456	(2,314,743)
Cash flows from financing activities:		
Proceeds from short-term debt	9,332,543	12,219,000
Repayment of short-term debt	(12,097,543)	(9,554,000)
Proceeds from issuance of long-term debt	1,149,891	446,084
Contributions restricted for purchasing property and equipment	147,000	399,000
Payment of debt issuance costs	(40,409)	(7,832)
Repayment of long-term debt	(390,271)	(757,533)
Net cash from financing activities	(1,898,789)	2,744,719
Net change in cash	(2,128,558)	31,093
Cash, beginning of the period	2,309,804	2,278,711
Cash, end of the period	\$ 181,246	\$ 2,309,804
Supplemental cash flow information (noncash activities):		
Equipment transferred to inventory	\$ -	\$ 37,225
Inventory transferred to equipment	\$ 6,985	\$ 98,118

See accompanying notes.

United Cerebral Palsy Seguin of Greater Chicago Notes to the Consolidated Financial Statements

1. Organizational Purpose

United Cerebral Palsy Seguin of Greater Chicago (UCP Seguin) is a not-for-profit community-based agency incorporated in the state of Illinois. UCP Seguin serves children and adults with disabilities, providing innovative family support, employment, life skills, residential, and children's foster care programs, and technology leveraged training and education programs.

UCP Seguin is guided by the following mission: UCP Seguin of Greater Chicago believes that all people, regardless of ability, deserve to achieve their potential, advance their independence and act as full members of the community. So, we stop at nothing to provide life skills training, assistive technology, meaningful employment, and a place to call home for people with disabilities, as well as specialized foster care for children. Our Goal: life without limits for people with disabilities.

The principles which form the foundation of this mission are as follows:

- A. Persons served will continue to receive high quality services. Supports will be expanded to address the unmet needs of: adults with developmental disabilities who are aging, have mental health needs, have traumatic brain injury, are in transition, and who seek community employment; children who have specialized medical needs, have social-emotional treatment needs, have accessibility needs, and who have needs for assistive technology and augmented communication.
- B. Persons served will live, work, and recreate in healthy and safe environments through promotion of a progressive health program, and provisions of a comprehensive agency safety program where safety is the responsibility of every employee.
- C. Persons served will have social inclusion by: establishing relationships with peers with and without disabilities within their communities; participating in the life of their communities through employment, including social enterprises and other activities; connecting to networks of natural supports; establishing intimate friendships; living in integrated environments; achieving permanency with biological or adoptive families; and, through engaging in inclusive educational environments.
- D. Persons served and their families will be able to provide input to the organization for improvement in the quality of services.
- E. UCP Seguin's management practices will be enhanced to improve organizational oversight and to accomplish the agency's mission through: improved communication with persons served, their families, UCP Seguin staff, and other stakeholders; periodic assessment and analysis of organizational strengths and opportunities for improvement; staff and Board member composition, which is representative of the community and program participants served by UCP Seguin; effective legislative advocacy; and, efficient use of technology.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

1. Organizational Purpose (cont'd)

- F. UCP Seguin is dedicated to the expansion and diversification of financial and human resources to ensure organizational stability and well-managed growth by: substantially increasing resources of UCP Seguin through the establishment and implementation of a comprehensive resource development plan; and developing social enterprises with the goals of increasing earned income and providing for expanded employment opportunities for program participants.
- G. UCP Seguin will be supported by qualified, well-trained, tenured staff members who are supported by their supervisors and UCP Seguin's management staff, and recognized regularly for their efforts and accomplishments.
- H. UCP Seguin will provide leadership and direction in the formation of networks of strategic partners in order to strengthen the services to and supports of persons served.

UCP Seguin's board members and president/CEO comprise the separate board of directors of an affiliated non-profit organization: Ramp Up, LLC (Ramp Up). Ramp Up was incorporated in 2009 as a single member limited liability company. The primary purpose of Ramp Up is to fund the construction and installation of modular home ramps for individuals with disabilities in the Chicagoland area.

2. Summary of Significant Accounting Policies

A. General

UCP Seguin's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements consolidate the activities of Ramp Up, its affiliate, and have been prepared to focus on UCP Seguin as a whole. UCP Seguin meets the criteria for consolidating Ramp Up due to its level of control over and economic interest in the organization. All significant inter-organizational balances and transactions have been eliminated in consolidation. Net assets and revenue, expenses, and gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that they be maintained permanently by UCP Seguin.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may be met by the actions of UCP Seguin or by the passage of time.

Unrestricted Net Assets – Net assets not subject to donor imposed stipulations.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

A. General (cont'd)

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Temporarily Restricted Net Assets – UCP Seguin has adopted the following accounting policies with respect to temporarily restricted net assets:

Contributions With Restrictions Met in the Same Year – Contributions received with donor imposed restrictions that are fulfilled in the same time period in which the contribution is received are reported as unrestricted support.

Release of Restrictions on Net Assets for Acquisition of Property and Equipment – Contributions of exhaustible long-lived assets, or of cash or other assets used to acquire them, without donor stipulations concerning how long the donated assets must be used, are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released over the estimated useful lives of the long-lived assets using UCP Seguin's depreciation policies, or upon sale of such assets. See Note 10 for additional disclosures.

B. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

C. Significant Concentrations

Revenue approximating 76%, or \$30.9 million (74% or \$30.1 million in 2017), is provided by departments of the State of Illinois. Future levels of program activities are dependent on these governmental agencies. Revenues have been allocated to programs as follows:

	2018	2017
Community living	48.38 %	45.52 %
Foster care	20.75	23.03
Developmental training	17.85	16.47
Infinitec	8.34	10.97
Ramp Up	.48	.29
Supported employment	1.40	1.31
UCP Seguin Enterprises	2.80	2.41
	100.00 %	100.00 %

D. Fair Value and Investments

All of UCP Seguin's investments are carried at fair value, with changes in fair value recognized in net assets each period. UCP Seguin makes estimates regarding valuation of assets at fair value in preparing the financial statements.

UCP Seguin defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A valuation hierarchy has been established for fair value measurements. This hierarchy is broken down into three levels based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that UCP Seguin has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

D. Fair Value and Investments (cont'd)

The valuations for investments in equities (common stock, mutual funds, exchange traded funds and real estate investment trusts) are based on quoted prices in active markets for identical assets. Accordingly, these investments are categorized in Level 1 of the fair value hierarchy. Fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. As such, fixed income securities (corporate bonds and government backed securities) are categorized in Level 2 of the fair value hierarchy. The master fund investment valuation utilizes information provided by investment managers and other financial reports of the underlying investment entities which may include securities for which prices are not readily available. Due to the significance of the unobservable inputs, the investment in the master fund is categorized in Level 3 of the fair value hierarchy.

E. Inventory

Inventories, which consist of used vehicles, gardens and gifts items, assistive technology equipment, and computer and durable medical equipment held for donation to clients, are stated on a first-in, first-out basis. Prior to fiscal 2018, UCP Seguin reported inventories at the lower of cost or market (or fair value at the date of donation). During fiscal 2018, UCP Seguin adopted a new accounting standard which replaced the concept of "market", representing replacement cost, with "net realizable value", which is based upon the net selling price. The adoption of this standard had no effect on the consolidated financial statements.

F. Property and Equipment

Land, buildings, and equipment are valued at cost. Additions and improvements to property and equipment that have a cost of more than \$500 are capitalized at cost, while maintenance and repair expenditures are charged to expense as incurred. Donated property and equipment are valued at estimated fair value at the date of donation. Depreciation is provided on the straight-line method. Estimated useful lives are as follows:

Buildings	28 - 40 years
Building improvements	5 - 40 years
Equipment	3 - 10 years
Land improvements	10 - 28 years
Leasehold improvements	3 - 28 years

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

G. Income Taxes

UCP Seguin is a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except to the extent of any unrelated business income. UCP Seguin had no unrelated business income in 2017 and 2018, and did not pay any income taxes in 2017 or 2018. Ramp Up is a disregarded entity for taxation purposes, as any tax attributable to its operations would be the tax responsibility of UCP Seguin.

Tax returns filed for UCP Seguin are open for purposes of examination by the IRS or Illinois Department of Revenue for the years ended June 30, 2016, 2017 and 2018.

H. Pervasiveness of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period.

Significant estimates used in the preparation of these consolidated financial statements include the fair value of investments, allowance for doubtful accounts, workers' compensation insurance accruals for claims incurred during the reporting period but not reported until after the balance sheet date, allocations of general and administrative expenses to individual program activities and fair value for non-cash items such as computer and durable medical equipment. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information is available.

I. Debt Issuance Costs

The costs of issuance of debt are presented on the statement of financial position as a direct reduction from the face amount of the associated debt.

J. Subsequent Events

Subsequent events have been evaluated through November 19, 2018, which is the date the consolidated financial statements were available to be issued.

3. Cash

UCP Seguin's cash deposits are present at five financial institutions and may from time to time exceed available insurance coverage limits. At June 30, 2018, the bank balances at such institutions were \$532,452, of which \$188,046 was not covered by federal depository insurance.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

4. Investments

Investments at June 30, are as follows:

	2018	2017
Equities	\$ 2,086,258	\$ 2,245,910
Fixed income	393,524	418,282
Master fund	2,225	61,310
	2,482,007	2,725,502
Investments, at fair value		
Cash	534,038	96,457
	\$ 3,016,045	\$ 2,821,959

Fair values of assets measured on a recurring basis consistent with the hierarchy described in Note 2 are as follows as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,086,258	\$ -	\$ -	\$ 2,086,258
Fixed income	-	393,524	-	393,524
Master fund	-	-	2,225	2,225
	\$ 2,086,258	\$ 393,524	\$ 2,225	\$ 2,482,007
	2017			
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,245,910	\$ -	\$ -	\$ 2,245,910
Fixed income	-	418,282	-	418,282
Master fund	-	-	61,310	61,310
	\$ 2,245,910	\$ 418,282	\$ 61,310	\$ 2,725,502

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

4. Investments (cont'd)

The following table summarizes the activity for the Level 3 investment as of June 30:

	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 61,310	\$ 229,777
Amounts received from fund	(56,853)	(176,044)
Net realized gains (losses) and unrealized appreciation (depreciation) in investment	<u>(2,232)</u>	<u>7,577</u>
Balance, end of the year	<u>\$ 2,225</u>	<u>\$ 61,310</u>

Investment return during the year ended June 30, 2018, is as follows:

	<u>Net Interest and Dividend Income</u>	<u>Net Realized and Unrealized Gains</u>	<u>Total Investment Income</u>
Other interest income	\$ 6,417	\$ -	\$ 6,417
Quasi-endowment investments, at fair value	<u>70,545</u>	<u>93,759</u>	<u>164,304</u>
	<u>\$ 76,962</u>	<u>\$ 93,759</u>	<u>\$ 170,721</u>

Net interest and dividend income includes investment expenses of \$8,656.

Investment return during the year ended June 30, 2017, is as follows:

	<u>Net Interest and Dividend Income</u>	<u>Net Realized and Unrealized Gains</u>	<u>Total Investment Income</u>
Other interest income	\$ 8,703	\$ -	\$ 8,703
Quasi-endowment investments, at fair value	<u>51,093</u>	<u>245,930</u>	<u>297,023</u>
	<u>\$ 59,796</u>	<u>\$ 245,930</u>	<u>\$ 305,726</u>

Net interest and dividend income includes investment expenses of \$7,620.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

5. Accounts Receivable

Accounts receivable are stated at the amount billed to the public or governmental agencies and clients, contributions and other amounts due from third parties, reduced by an allowance for doubtful accounts. UCP Seguin does not charge interest or late fees on amounts past due. Accounts are written off to the allowance when management believes collectibility is unlikely. Management's periodic evaluation of the adequacy of the allowance is based on UCP Seguin's past experience, known and inherent risks in the accounts, adverse situations that may affect the agencies' or clients' ability to pay, and current economic conditions. Past due accounts over 90 days amounted to approximately \$554,000 at June 30, 2018 (\$334,000 at June 30, 2017).

6. Property and Equipment

Property and equipment accounts are summarized by major classification at June 30, as follows:

	2018	2017
Land	\$ 3,166,022	\$ 3,730,022
Buildings	15,052,461	17,371,504
Building improvements	20,484,566	20,291,316
Equipment	12,292,307	11,685,448
Leasehold improvements	120,742	467,835
Land improvements	206,473	204,973
Not in service	-	497,053
Construction in progress	58,093	4,005
	51,380,664	54,252,156
Less accumulated depreciation and amortization	(29,148,752)	(28,962,883)
	\$ 22,231,912	\$ 25,289,273

Depreciation expense on property and equipment for the year ended June 30, 2018, totaled \$1,644,624 (\$1,549,106 at June 30, 2017). No interest costs were capitalized in connection with construction projects for the years ended June 30, 2017 and 2018.

7. Other Borrowings

Short-term Line of Credit – A promissory note and agreement provides for maximum short-term borrowings of \$4,000,000. The note was last renewed March 15, 2017. Interest is payable monthly at 2.25% above the lender's index rate with a minimum rate of 2.00% (effective rate of 4.5916% at June 30, 2018, and 3.4084% at June 30, 2017), with all outstanding principal and interest due on March 15, 2020. At June 30, 2018, there was \$200,000 due under this agreement (\$2,965,000 at June 30, 2017).

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

7. Other Borrowings (cont'd)

Short-term Line of Credit – The note is secured by eligible receivables of UCP Seguin. The agreement requires UCP Seguin, among other covenants, to furnish certain financial information to the lender within specified time frames.

Other Credit Facility – UCP Seguin has an additional credit facility that provides for borrowings up to \$2,572,500. This credit facility has not been utilized since it was obtained. Interest is payable monthly commencing November 13, 2016, at a variable interest rate based on the Wall Street Journal Prime Rate (Index). The interest rate is 5.00% at June 30, 2018. All outstanding principal plus accrued and unpaid interest is due, as extended, on December 13, 2018. The note is secured by an assignment of rents and certain real property of UCP Seguin.

8. Long-term Debt – Installment Contracts

	June 30,	
	2018	2017
<p>Promissory note dated August 19, 2010, in the original amount of \$1,500,000, from a not-for-profit corporation, secured by a mortgage on certain real property. The note bears interest as recalculated, at a rate of 5.50% and requires monthly principal and interest payments of \$12,344 commencing September 1, 2015 through August 31, 2020. On the tenth anniversary of the first principal and interest date, the rate of interest will be recalculated based on the greater of the yield to maturity of certain United States Treasury obligations plus 1.75% and 5.00%. Final payment is due September 1, 2025.</p>	\$ 884,026	\$ 980,634
<p>Barrie Park Investment Program promissory note dated November 21, 2005, in the original amount of \$15,000, was used in connection with a grant of an equal amount for the purpose of rehabilitating a UCP Seguin residence. The note is payable in full upon conveyance or transfer of any interest in the property. The note bears no interest unless the principal is not paid when due, then the interest rate is at the highest rate permitted by law or nine percent whichever is greater. The note is secured by a mortgage on the property.</p>	15,000	15,000

(cont'd)

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

8. Long-term Debt – Installment Contracts (cont'd)

	June 30,	
	2018	2017
<p>Illinois Housing Development Authority mortgage note dated November 28, 1997, in the original amount of \$500,000, was issued in connection with the acquisition and improvement of certain residential living facilities. The note is payable monthly at \$1,389, commencing April 1, 1999. The note is at 0% interest, as it imposes certain regulatory and land use restrictions on the facilities acquired. Such as, the facilities will be used to provide housing for the developmentally disabled. The final payment is due March 1, 2029. The note is secured by second mortgages on each of the facilities acquired.</p>	\$ 156,982	\$ 173,649
<p>Installment loan dated September 2012, in the original amount of \$5,450,000, was issued in connection with the refinancing of certain residential living facilities. The note is due in monthly installments of \$29,311, which includes interest at 4.19% per annum. The loan is due in August 2022. The note is secured by certain real properties.</p>	4,648,246	4,798,996
<p>Promissory note dated October 3, 2017, in the aggregate amount of \$300,000, was issued in connection with the purchase of a residential living facility. The note is due in monthly installments of \$2,182, which includes interest at 3.75% per annum. Final payment is due on November 1, 2032. The note is secured by a mortgage on the real property.</p>	291,209	-
<p>Promissory note dated October 25, 2017, in the aggregate amount of \$205,000, was issued in connection with the purchase of a residential living facility. The note is due in monthly installments of \$1,390, which includes interest at 5.25% per annum. Final payment is due on October 25, 2022. The note is secured by a mortgage on the real property.</p>	201,083	-

(cont'd)

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

8. Long-term Debt – Installment Contracts (cont'd)

	June 30,	
	2018	2017
<p>Promissory note dated June 30, 2009, in the original amount of \$224,000, was used in connection with the acquisition of certain real property, which secures the note. The note as revised July 1, 2016, is due in monthly installments of \$1,377, which includes interest at 5.25% per annum. A final balloon payment of \$155,537 is due in June 2021.</p>	\$ 177,756	\$ 184,630
<p>Promissory note dated April 23, 2013, in the original amount of \$30,694, was used in connection with the acquisition of a certain vehicle, which secures the note. The note is due in monthly installments of \$639, which includes interest at 5.40% per annum. The outstanding balance was paid in September 2017.</p>	-	2,063
<p>Two promissory notes dated March 17, 2015, in the aggregate amount of \$870,000, were issued in connection with the refinancing of certain residential living facilities. The notes are due in monthly installments ranging from \$1,163 to \$3,896, which includes interest at 3.48% per annum. Final balloon payments are due in March 2020 in the aggregate amount of \$711,205. The notes are secured by certain real properties.</p>	766,599	799,623
<p>Two promissory notes dated December 2, 2016, in the aggregate amount of \$322,000, were issued in connection with the refinancing of certain residential living facilities. The notes are due in monthly installments ranging from \$1,541 to \$1,681, which includes interest at 3.75% per annum. Final payments are due on January 1, 2027. The notes are secured by certain real properties.</p>	283,384	310,852

(cont'd)

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

8. Long-term Debt – Installment Contracts (cont'd)

	June 30,	
	2018	2017
<p>Four promissory notes dated February 28, 2018, in the aggregate amount of \$631,000, were issued in connection with the refinancing of certain residential living facilities. The notes are due in monthly installments ranging from \$743 to \$1,752, which includes interest at 4.375% per annum. Final payments are due on March 1, 2033. The notes are secured by certain real properties.</p>	\$ 623,513	\$ -
<p>Promissory note dated December 1, 2016, in the original amount of \$124,084, was used in connection with the acquisition of three vehicles, which secures the note. The note is due in monthly installments of \$2,379, which includes interest at 5.65% per annum. The final payment is due on December 8, 2021.</p>	90,457	113,188
<p>Total long-term debt</p> <p>Less debt issuance costs</p>	8,138,255 (75,558)	7,378,635 (61,138)
	\$ 8,062,697	\$ 7,317,497

Maturities of long-term debt are as follows:

For the Year Ending June 30,	Total Maturities
2019	\$ 426,008
2020	1,141,955
2021	583,145
2022	424,928
2023	4,368,585
2024 and subsequent	1,193,634
	\$ 8,138,255

Total interest paid for the year ended June 30, 2018, excluding loan fee amortization, was \$359,820 (\$341,877 in 2017). The carrying value at June 30, 2018, of property and equipment collateralizing the above long-term debt is approximately \$22.2 million (\$25.3 million at June 30, 2017).

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

9. Retirement Plan

UCP Seguin has a 403(b) defined contribution plan (the Plan) which covers substantially all employees who meet eligibility requirements of the Plan. The Plan provides for participant salary deferrals. No employer contributions are required to be made to the Plan.

10. Net Assets

Unrestricted Net Assets – Unrestricted net assets were designated for specific purposes as follows:

	<u>2018</u>	<u>2017</u>
Quasi-endowment funds	\$ 3,016,045	\$ 2,821,959
Undesignated	<u>4,195,523</u>	<u>3,860,403</u>
	<u>\$ 7,211,568</u>	<u>\$ 6,682,362</u>

Quasi-endowment Funds – UCP Seguin's quasi-endowment funds consist of funds designated by the Board of Directors to function as endowments. Since the funds resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets. UCP Seguin has adopted a policy for quasi-endowment assets to provide for the administration, disbursement and funding of the funds. Under the policy approved by the Board of Directors, the assets are invested by external fund managers using a balance among equities, bonds, insured investments and so on, to seek the best possible market return with the prudent person principle as a guide. The external manager investment strategy is to be reviewed annually by the Finance Committee.

Changes in unrestricted quasi-endowment net assets for the years ended June 30, are as follows:

	<u>2018</u>	<u>2017</u>
Quasi-endowment net assets, beginning of the period	\$ 2,821,959	\$ 2,519,375
Investment return:		
Investment income	70,545	51,093
Net appreciation (depreciation) - realized and unrealized	<u>93,759</u>	<u>245,930</u>
Total investment return	164,304	297,023
Other changes – transfers to include Board-designated funds in quasi-endowment	<u>29,782</u>	<u>5,561</u>
Quasi-endowment net assets, end of the period	<u>\$ 3,016,045</u>	<u>\$ 2,821,959</u>

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

10. Net Assets (cont'd)

Temporarily Restricted Net Assets – Temporarily restricted net asset balances consist of the following at June 30:

	2018	2017
Capital Campaign	\$ 2,292,992	\$ 2,196,729
CILA Lapsed Funding	11,291	12,478
Fire Detection/Monitoring Systems	-	155
IDOT Vehicles	519,371	371,242
Residential Living Facilities:		
Federal Home Loan Program	134,582	150,643
Berwyn CDBG Program	589,534	629,971
Cook County CDBG Program	651,611	600,286
Oak Park CDBG Program	375,351	381,614
Barrie Park	8,348	8,884
Home Renovations	382,490	395,226
Ihome Program Facility	342,928	350,000
CILA Home	300,000	-
Other In-kind Donations	275,092	272,219
Lombard House	8,155	9,012
UCP Seguin Enterprises Program	58,717	62,943
Alzheimer Program	103,172	109,599
Garden Center	2,875	3,237
Senior Services Program	1,269,208	1,313,178
Day Program Facility	1,210,103	1,214,558
Day Program, In-kind Donations	28,275	4,930
Program Facilities:		
Julius and Betty Levinson	163,178	172,957
Arthur and Mary Rubloff	2,498,743	4,335,839
Highland Park, Land	-	650,000
Client activities	5,035	-
Choice Program	144,790	182,928
	\$ 11,375,841	\$ 13,428,628

The land being utilized for the Highland Park facility of UCP Seguin had an appraised value of \$650,000 when received by UCP in 2003 and was reported as temporarily restricted, due to certain restrictions on use. The property, inclusive of such land, was sold by UCP Seguin in June 2018, as more fully disclosed on page 23.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

10. Net Assets (cont'd)

Temporarily Restricted Net Assets (cont'd)

At June 30, 2018, unexpended temporarily restricted net assets amounted to \$1,571,666 (\$1,252,504 at June 30, 2017), with the balance of temporarily restricted net assets representing undepreciated long-lived assets to be released from restrictions in the future.

The source of net assets released from temporary donor restrictions by incurring expense satisfying the restriction, or by the occurrence of events specified by the donor, was as follows at June 30:

	2018	2017
Capital Campaign	\$ 144,132	\$ 148,085
CILA Lapsed Funding	1,187	1,188
Fire Detection/Monitoring Systems	155	2,944
IDOT Vehicles	27,871	29,439
Residential Living Facilities:		
Federal Home Loan Program	16,061	16,061
Berwyn CDBG Program	40,437	39,134
Cook County CDBG Program	45,675	40,683
Oak Park CDBG Program	26,563	24,027
Barrie Park	536	536
Home Renovations	17,736	14,705
Ihome Program Facility	7,072	-
Other In-kind Donations	(2,873)	59,347
Lombard House	857	957
UCP Seguin Enterprises Program	4,226	4,225
Solar Program	-	1,054
Alzheimer Program	6,427	6,427
Garden Center	362	800
Senior Services Program	43,970	43,970
Day Program Facility	204,455	13,559
Day Program, In-kind Donations	21,744	4,337
Program Facilities:		
Julius and Betty Levinson	9,779	9,779
Arthur and Mary Rubloff	1,837,096	164,150
Highland Park land	650,000	-
Client activities	665	-
Choice Program	38,138	9,861
	\$ 3,142,271	\$ 635,268

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

10. Net Assets (cont'd)

Temporarily Restricted Net Assets (cont'd)

The unreleased balance of previously donated property in Highland Park that was sold during 2018 was reclassified to unrestricted net assets from temporarily restricted and amounted to \$2,328,628. Property and equipment was also reclassified to unrestricted net assets from temporarily restricted for long-lived assets released from restrictions, in accordance with UCP Seguin's depreciation policy during 2018, in the amount of \$624,730 (\$597,548 in 2017).

Permanently Restricted Net Assets – Donated land in Tinley Park was received by UCP Seguin in 2001 with an appraised value of \$148,000. A building was constructed on the land for the purposes of providing services and support to disabled persons. The provisions of the donation specify that if UCP Seguin discontinues its use of the parcel for the restricted charitable purpose or attempts to convey all or part of the land to another party, then the title reverts to the State of Illinois. UCP Seguin considers this to be a permanent donor restriction and has included the value of the land in permanently restricted net assets.

11. Contributed Services and In-kind Revenue

UCP Seguin recognizes contribution revenue for certain professional services and in-kind property received at fair value at date of receipt. For the period ended June 30, 2018, those services and property included construction materials and labor, equipment, and professional services of \$242,837 (\$235,845 in 2017). The aforementioned amounts also include related party legal services provided by a firm that two UCP Seguin board members are associated with. In addition, a substantial number of volunteers have donated significant amounts of their time to various program services for which no value has been assigned.

Also, amounts have been included in the consolidated financial statements for contributions of in-kind computer and durable medical equipment received from various contributors to be used in the Assistive Technology Exchange Network Program. UCP Seguin estimates the value of computer and durable medical equipment received in 2018 totaled \$1,609,016 (\$1,646,576 in 2017). Equipment given to qualified recipients and charged to program expense, including scrap, during the year ended June 30, 2018, totaled \$1,518,850 (\$1,503,604 in 2017). At June 30, 2018, \$942,362 of equipment held for donation to clients was still on hand and included in inventory (\$852,196 as of June 30, 2017).

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

12. Operating Leases

UCP Seguin has operating leases on copy equipment and office and residential space, which expire in 2019 through 2023. Certain of the office space leases provide for additional rents related to operating costs and property taxes. UCP Seguin is committed to making the following minimum annual payments at June 30, 2018:

2019	\$ 192,755
2020	174,305
2021	156,549
2022	131,549
2023	<u>103,163</u>
	<u>\$ 758,321</u>

Total rent expense inclusive of operating costs and property taxes was \$376,573 in 2018, and \$440,938 in 2017.

UCP Seguin leased a portion of its Highland Park facility to an unrelated organization under a lease agreement which provided for monthly base rental payments. The lease ended with the sale of this property in June 2018. Rental income on leased properties for the year ended June 30, 2018, was \$139,925 (\$183,600 in 2017).

13. Commitments

Construction – UCP Seguin has open contracts in process totaling approximately \$33,700 for renovations to residential homes. Of the contract amounts, the remaining commitment is for approximately \$32,700 as of June 30, 2018.

Employment Commitments – In connection with the merger that initially formed UCP Seguin, management believed that it was in the best interest of the organization to continue employment of certain key employees. Accordingly, employment agreements exist and are expected to be extended to June 30, 2019, for three individuals. Payments under the agreements are made as services are provided.

14. Contingencies

Litigation – UCP Seguin is subject to certain claims that arise in the ordinary course of business. Management is of the opinion that, after application of all available insurance coverage, the effect of the outcomes of these proceedings on UCP Seguin's financial position will not be material.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

14. Contingencies (cont'd)

Fees and Grants Received – UCP Seguin has received significant financial assistance from numerous federal, state, and local government agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of UCP Seguin. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the financial position of UCP Seguin at June 30, 2018.

Forgivable Payment Notes – UCP Seguin has been awarded certain community development block grants from the County of DuPage (County) through the DuPage Community Development Commission to fund 50% of the cost for an employment and life skills center up to a maximum of \$400,000 in fiscal 2017, 50% of the cost for an employment and life skills center up to a maximum of \$400,000 in fiscal 2016, and 60% of the cost for a group home project, up to a maximum of \$300,000. The projects consist of the acquisition and renovation and/or construction of the center and the construction of a new house to become an Americans with Disabilities Act-compliant Community Integrated Living Arrangement group home for low-income adults with severe intellectual and developmental disabilities.

Of the amounts awarded, \$300,000 has been recognized as temporarily restricted revenue during the year ended June 30, 2018 (\$400,000 during June 30, 2017). As a condition of such grants, UCP Seguin has executed forgivable payment notes in the amounts of \$400,000, \$400,000 and \$300,000, respectively, for the completed projects, payable to the County. UCP Seguin is not required to make regular monthly payments of principal or interest on the loans. If the property securing each note, or any interest in the property, is sold or transferred before the 20-year anniversary date of the project completion, the full amount of the principal applicable to such property is payable. If the specific property is no longer used for the purposes stated in the agreement, the principal is due within 30 days of such change in use. The notes will be forgiven in a lump sum on the 20-year anniversary date of the specific project's project completion. It is UCP Seguin's expectation that such properties will be used for the purposes stated in the agreements throughout the period required and as such has not reflected any mortgage liability on the statement of financial position for these notes.

Dental and Workers' Compensation Insurance – UCP Seguin is self-insured for dental and workers' compensation coverage at June 30, 2018. Such self-insured dental coverage commenced on November 1, 2015. Amounts accrued in the consolidated financial statements for claims incurred during the fiscal 2018 reporting period are included in accrued expenses on the statement of financial position, and do not include claims that were unfiled as of September 30, 2018, as they are not determinable.

Unemployment Taxes – UCP Seguin has elected the reimbursement method for payment of Illinois unemployment taxes. Payment is based on actual reimbursements of claims filed, as determined by the state of Illinois. No accrual for unfiled claims has been included in the consolidated financial statements, as it is not determinable.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

15. Comparative Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UCP Seguin's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

16. IHDA Funding Agreement

UCP Seguin, as Sponsor, accepted a conditional commitment letter issued by the Illinois Housing Development Authority (IHDA), to administer a forgivable loan program (Home Accessibility) for certain qualifying Homeowners. Funds provided to the Sponsor in fiscal 2018 amounted to \$107,334. Disbursements on behalf of Homeowners for the Home Accessibility Program made to contractors and the Sponsor totaled \$107,334 for the year ended June 30, 2018.

17. Future Accounting Standards

Not-For-Profit Reporting – During 2016, the Financial Accounting Standards Board issued new standards relating to not-for-profit financial reporting. Significant changes to the current standards include adding two new classes of net assets (net assets with donor restrictions and net assets without donor restrictions), changing treatment for contributions of or for property and equipment (restrictions will be satisfied upon the items being put into use rather than depreciating items over the life of the asset, unless explicitly stated by the donor), requiring expenses to be disclosed by their natural classification and function, as well as quantitative and qualitative information on the availability of financial assets and liquidity. The standard will be effective for the organization's fiscal year ending June 30, 2019. UCP Seguin has not determined the effect of adopting the new standard.

Leases – During 2016, the Financial Accounting Standards Board issued new standards relating to lease accounting. The new standard will require UCP Seguin to recognize on its balance sheet, the asset and liability of their leasing agreements relating to the rights and obligations created by the leases. The standard will be effective for 2020. UCP Seguin has not determined the effect of adopting the new standard.

Revenue Recognition – On May 28 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

United Cerebral Palsy Seguin of Greater Chicago
Notes to the Consolidated Financial Statements (cont'd)

17. Future Accounting Standards (cont'd)

Revenue Recognition (cont'd)

During 2018, the Financial Accounting Standards Board issued clarifying and amended guidance for not-for-profit entities on whether a transfer of assets is a contribution or exchange transaction and whether a contribution received is conditional or unconditional. Guidance has been added concerning how an entity should determine whether, in a transfer of assets (or a reduction, settlement, or cancellation of liabilities), a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

Guidance has also been added requiring an entity to determine whether a contribution contains a donor-imposed condition on the basis of whether the agreement includes both (1) a barrier that must be overcome, and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Either a right of return of the assets transferred or a right of release of the promisor from its obligation to transfer assets must be determinable from the agreement (or from another document referenced in the agreement). Note that the agreement does not need to include the specific phrase "right of return" or "release from obligation". However, an agreement must be sufficiently clear to support a reasonable conclusion about when a recipient will be entitled to the transfer of assets. In the absence of any apparent indication that a recipient is only entitled to the transferred assets or a future transfer of assets if it has overcome a barrier, the agreement should be considered not to contain a right of return of assets transferred or a right of release from obligation and, thus, should be deemed a contribution without donor-imposed conditions. The presence of both a barrier and a right of return or a right of release indicates that a recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome any barriers in the agreement. The new standard and the clarifying guidance is effective in fiscal 2020. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements

Selden Fox

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
United Cerebral Palsy Seguin of Greater Chicago
Cicero, Illinois

We have audited the financial statements of **United Cerebral Palsy Seguin of Greater Chicago** as of and for the year ended June 30, 2018, and have issued our report dated November 19, 2018, which contained an unmodified opinion on those financial statements on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules as of and for the year ended June 30, 2018, on pages 29 through 32 are presented for purposes of additional analysis, and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Selden Fox, Ltd.

November 19, 2018

**United Cerebral Palsy Seguin of Greater Chicago
Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2018**

	Programs														
	Total Agency	Total Programs	Develop-mental Training	Foster Care	Supported Employment	Community Integrated Living Arrangement	Community Supported Living Arrangement	HBS	Respite	SeniorCares	UCP Seguin Enterprises	Infinitec	Ramp Up	Fund-raising and Development	Admin-istrative
Salaries and related expenses:															
Salaries	\$ 23,725,656	\$ 21,543,171	\$ 4,513,140	\$ 3,465,271	\$ 401,039	\$ 9,266,594	\$ 326,411	\$ 250,884	\$ 68,173	\$ 1,589,567	\$ 484,381	\$ 1,135,598	\$ 42,113	\$ 282,575	\$ 1,899,910
Foster care stipends	3,672,812	3,672,812	-	2,635,743	-	1,037,069	-	-	-	-	-	-	-	-	-
FICA tax	1,754,724	1,611,999	338,271	251,935	34,311	690,823	23,922	18,719	5,027	118,382	46,115	81,650	2,844	18,663	124,062
Unemployment tax	19,747	19,747	1,483	-	-	17,508	-	-	-	-	-	756	-	-	-
Workers' compensation	787,429	710,889	125,283	135,993	14,647	300,806	12,599	9,134	2,441	50,160	18,249	40,160	1,417	11,497	65,043
Employee health insurance	1,634,856	1,468,939	324,751	305,199	26,699	502,912	32,899	14,935	6,739	111,809	40,743	96,264	5,989	19,237	146,680
Other benefits	99,055	45,267	9,480	3,913	351	18,278	593	2,593	56	6,161	2,728	1,067	47	243	53,545
Program consultants	1,118,123	913,510	143,102	41,263	6,012	56,349	-	-	-	-	-	661,284	5,500	165,216	39,397
Other consultants	434,864	273,862	-	-	-	-	-	-	-	-	-	130,801	143,061	67,398	93,604
Client wages	265,283	265,283	71,119	-	61,882	-	-	-	-	-	132,282	-	-	-	-
Life & AD&D/LT disability insurance	125,016	113,682	23,466	18,679	2,122	48,944	1,766	1,397	345	8,271	2,620	4,877	1,195	1,461	9,873
Total salaries and related expenses	33,637,565	30,639,161	5,550,095	6,857,996	547,063	11,939,283	398,190	297,662	82,781	1,884,350	727,118	2,152,457	202,166	566,290	2,432,114
Consumable supplies:															
Office	58,613	24,010	8,425	2,844	96	4,226	175	-	4	564	1,077	6,599	-	180	34,423
Medicine and drugs	35,682	35,682	714	370	853	28,975	-	-	-	4,770	-	-	-	-	-
Educational	34,863	34,863	2,868	243	-	34	-	-	-	-	-	31,718	-	-	-
Food	108,089	101,071	29,231	3,414	-	47,038	3,468	-	4,782	8,058	598	4,482	-	1,391	5,627
Kitchen	162,815	162,603	14,869	185	-	124,996	-	-	249	22,101	203	-	-	46	166
Janitorial	37,726	35,690	18,718	8,535	-	510	31	-	-	83	5,516	2,297	-	-	2,036
Client activities	117,149	112,043	62,745	10,812	2,250	15,708	472	-	1,409	719	-	17,928	-	5,106	-
OSHA	16,995	16,995	5,586	86	5,598	5,684	-	-	-	41	-	-	-	-	-
Clothing	114,632	114,632	1,364	112,477	-	183	-	-	-	308	300	-	-	-	-
Program supplies	61,267	61,267	1,829	-	-	-	-	-	-	-	55,607	3,831	-	-	-
Other	1,803,234	1,780,120	72	61,700	-	35,702	-	-	-	-	143,421	1,539,150	75	551	22,563
Total consumable supplies	2,551,065	2,478,976	146,421	200,666	8,797	263,056	4,146	-	6,444	36,644	206,722	1,606,005	75	7,274	64,815
Occupancy:															
Property and building insurance	46,885	42,023	4,145	1,705	-	22,001	-	-	183	1,145	10,164	2,680	-	-	4,862
Real estate taxes	(1,099)	(1,099)	(3,755)	-	-	(8,304)	-	-	-	(4,972)	-	15,932	-	-	-
Utilities	416,616	399,074	90,327	48,028	-	180,082	270	-	3,678	33,697	22,865	20,127	-	-	17,542
Janitorial and maintenance contracts	567,190	531,427	141,730	47,959	346	261,429	427	-	4,075	32,263	10,100	33,098	-	-	35,763
Building and grounds maintenance supplies	273,271	243,394	23,416	1,293	-	187,005	42	-	1,005	19,233	7,742	3,658	-	-	29,877
Equipment and repairs	144,924	97,300	34,282	20,613	412	23,062	6	257	242	1,376	5,144	11,906	-	-	47,624
Total occupancy	1,447,787	1,312,119	290,145	119,598	758	665,275	745	257	9,183	82,742	56,015	87,401	-	-	135,668

(cont'd)

United Cerebral Palsy Seguin of Greater Chicago
Consolidated Schedule of Functional Expenses (cont'd)
For the Year Ended June 30, 2018

	Programs															
	Total Agency	Total Programs	Develop-mental Training	Foster Care	Supported Employment	Community Integrated Living Arrangement	Community Supported Living Arrangement	HBS	Respite	SeniorCares	UCP Seguin			Fund-raising and Development	Admin-istrative	
											Enterprises	Infinitec	Ramp Up			
Local transportation:																
Client	\$ 357,679	\$ 357,464	\$ 140,766	\$ 45,239	\$ 31,008	\$ 126,023	\$ 8,906	\$ -	\$ 231	\$ 4,777	\$ 514	\$ -	\$ -	\$ 209	\$ 6	
Staff	344,277	332,552	42,630	144,124	24,171	72,124	3,185	12,771	844	9,574	1,862	18,775	2,492	1,313	10,412	
Vehicle insurance	104,401	102,948	26,832	-	-	52,868	-	-	1,453	8,718	8,718	4,359	-	-	1,453	
Repairs and maintenance	71,733	67,607	12,694	-	-	32,819	-	-	1,014	3,655	9,333	8,092	-	-	4,126	
Gas and oil	121,638	118,788	30,600	592	-	66,618	-	-	307	7,772	3,092	9,807	-	-	2,850	
Total local transportation	999,728	979,359	253,522	189,955	55,179	350,452	12,091	12,771	3,849	34,496	23,519	41,033	2,492	1,522	18,847	
Equipment purchase:																
Educational	15,625	15,625	5,575	36	424	4,312	205	1,214	-	447	156	3,256	-	-	-	
Office	87,412	80,277	7,690	273	2,232	49,580	79	-	-	8,302	11,800	321	-	340	6,795	
Total equipment purchase	103,037	95,902	13,265	309	2,656	53,892	284	1,214	-	8,749	11,956	3,577	-	340	6,795	
Leasing and rental - other	376,573	292,391	31,314	18,047	4,121	199,059	7	-	-	-	420	35,384	4,039	496	83,686	
Interest:																
Facilities	344,771	335,117	58,728	-	-	249,417	-	-	1,523	25,449	-	-	-	-	9,654	
Line of credit	12,520	9,800	5,444	4,356	-	-	-	-	-	-	-	-	-	-	2,720	
Other	27,029	25,989	726	-	-	24,137	-	-	81	1,045	-	-	-	-	1,040	
Total interest	384,320	370,906	64,898	4,356	-	273,554	-	-	1,604	26,494	-	-	-	-	13,414	
Miscellaneous:																
Telephone	184,359	176,193	34,737	16,788	3,863	82,809	271	4,667	2,401	10,642	2,845	17,170	-	-	8,166	
Liability insurance	157,819	148,938	61,123	35,525	2,014	-	-	955	-	-	-	38,880	10,441	-	8,881	
Outside printing and artwork	35,475	12,367	1,208	1,022	122	3,752	-	226	-	-	357	5,680	-	18,843	4,265	
Moving and recruiting	48,055	46,572	17,087	5,184	280	17,445	1,405	128	-	4,238	805	-	-	30	1,453	
Marketing	28,080	20,521	-	-	-	-	-	-	-	-	20,521	-	-	5,959	1,600	
Membership dues	62,669	10,411	5,338	387	1,837	1,832	-	100	-	-	507	410	-	50	52,208	
Postage and shipping	32,566	19,989	791	5,920	40	1,907	229	-	6	-	1,636	9,450	10	1,904	10,673	
Conference and convention	192,329	190,555	40,990	200	1,072	6,191	-	-	-	-	-	142,102	-	-	1,774	
Subscription and reference	85,190	82,156	1,177	253	765	1,872	-	-	-	-	1,839	76,250	-	1,610	1,424	
Other	286,362	234,858	4,968	5,698	120	141,375	954	-	-	17,450	10,903	53,390	-	18,654	32,850	
Total miscellaneous	1,112,904	942,560	167,419	70,977	10,113	257,183	2,859	6,076	2,407	32,330	39,413	343,332	10,451	47,050	123,294	

(cont'd)

United Cerebral Palsy Seguin of Greater Chicago
Consolidated Schedule of Functional Expenses (cont'd)
For the Year Ended June 30, 2018

	Programs													Fund-raising and Development	Admin- istrative
	Total Agency	Total Programs	Develop- mental Training	Foster Care	Supported Employment	Community Integrated Living Arrangement	Community Supported Living Arrangement	HBS	Respite	SeniorCares	UCP Seguin Enterprises	Infinitec	Ramp Up		
Depreciation	\$ 1,644,624	\$ 1,442,771	\$ 247,398	\$ 80,536	\$ 8,978	\$ 746,051	\$ 2,174	\$ 1,731	\$ 7,298	\$ 98,944	\$ 64,743	\$ 184,918	\$ -	\$ 1,300	\$ 200,553
Total functional expenses before allocation of administrative expenses	42,257,603	38,554,145	6,764,477	7,542,440	637,665	14,747,805	420,496	319,711	113,566	2,204,749	1,129,906	4,454,107	219,223	624,272	3,079,186
Allocation of administrative expenses	-	3,686,455	659,799	891,939	58,630	1,506,345	47,720	36,678	9,967	232,387	70,814	166,019	6,157	(607,269)	(3,079,186)
Total functional expenses	\$ 42,257,603	\$ 42,240,600	\$ 7,424,276	\$ 8,434,379	\$ 696,295	\$ 16,254,150	\$ 468,216	\$ 356,389	\$ 123,533	\$ 2,437,136	\$ 1,200,720	\$ 4,620,126	\$ 225,380	\$ 17,003	\$ -

See independent auditor's report on supplementary information.

**United Cerebral Palsy Seguin of Greater Chicago
Consolidated Schedule of Public Support and Revenues
For the Year Ended June 30, 2018**

	Total Agency	Programs											Fund-raising and Endowment	Admin-istrative	
		Total Programs	Develop-mental Training	Foster Care	Supported Employment	Community Integrated Living Arrangement	Community Supported Living Arrangement	HBS	Respite	SeniorCares	UCP Seguin Enterprises	Infinitec			Ramp Up
Purchase of service	\$ 22,114,918	\$ 22,114,918	\$ 6,091,935	\$ -	\$ 166,094	\$ 13,411,574	\$ 424,075	\$ 309,071	\$ -	\$ 1,712,169	\$ -	\$ -	\$ -	\$ -	\$ -
Rehabilitation services	149,461	149,461	-	-	149,461	-	-	-	-	-	-	-	-	-	-
Department of Children and Family Services	8,379,737	8,379,737	-	8,379,737	-	-	-	-	-	-	-	-	-	-	-
DHS Grants	239,627	239,627	70,083	-	-	169,544	-	-	-	-	-	-	-	-	-
DuPage County Human Services Grant	27,000	27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-
Department of Education	1,267,336	1,267,336	-	-	-	-	-	-	-	-	-	1,267,336	-	-	-
Community Block Grants	521,551	521,551	39,781	-	-	377,519	-	-	-	-	-	-	104,251	-	-
Illinois Housing Development Authority	107,334	107,334	-	-	-	-	-	-	-	-	-	-	107,334	-	-
Community Mental Health Act (708):															
Oak Park	95,314	95,314	58,874	-	26,628	1,300	-	-	8,512	-	-	-	-	-	-
Berwyn	72,240	72,240	42,240	-	-	5,000	1,500	-	-	-	23,500	-	-	-	-
Cicero	31,250	31,250	15,625	-	15,625	-	-	-	-	-	-	-	-	-	-
River Forest	15,420	15,420	12,180	-	-	-	-	-	3,240	-	-	-	-	-	-
Riverside	20,000	20,000	5,000	-	15,000	-	-	-	-	-	-	-	-	-	-
Proviso	95,000	95,000	-	-	-	-	-	-	95,000	-	-	-	-	-	-
Contributions:															
United Way	86,000	86,000	-	-	25,000	-	-	-	-	-	61,000	-	-	-	-
Other	3,539,785	3,531,488	687,478	35,715	160,000	227,896	-	-	30,000	38,845	579,339	1,772,215	-	8,297	-
Work contracts/training	94,223	94,223	1,650	-	27,035	-	-	-	-	-	-	65,538	-	-	-
Client fees:															
SSA and SSI	2,693,507	2,693,507	-	-	-	2,322,602	-	-	-	370,905	-	-	-	-	-
Rental income	240,143	240,143	-	-	-	23,590	-	-	-	-	-	216,553	-	-	-
Membership Program	1,175,419	1,175,419	-	-	-	-	-	-	-	-	-	1,175,419	-	-	-
Program	245,683	245,683	175,730	-	-	69,919	-	-	-	34	-	-	-	-	-
Interest income	76,962	2,099	2,099	-	-	-	-	-	-	-	-	-	-	74,863	-
Gain (loss) on sale of assets	(1,247,129)	(1,247,129)	(8,950)	-	(19,019)	4,769	-	-	-	-	-	(1,205,283)	(18,646)	-	-
Vending machines	3,872	3,872	223	-	3,649	-	-	-	-	-	-	-	-	-	-
Other	689,369	594,690	19,936	-	-	1,210	-	-	-	11,813	471,266	90,465	-	94,679	-
	\$ 40,734,022	\$ 40,556,183	\$ 7,240,884	\$ 8,415,452	\$ 569,473	\$ 16,614,923	\$ 425,575	\$ 309,071	\$ 136,752	\$ 2,133,766	\$ 1,135,105	\$ 3,382,243	\$ 192,939	\$ 177,839	\$ -

See independent auditor's report on supplementary information.