

INSPIRATION CORPORATION, CHICAGO
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information	
Auditors' Report on Supplementary Information	10
Schedule of Program Expenses	11

The Board of Directors
Inspiration Corporation, Chicago
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of **INSPIRATION CORPORATION, CHICAGO** (a non-profit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **INSPIRATION CORPORATION, CHICAGO** as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Frank L. Sassetti + Co.

October 13, 2006
Oak Park, Illinois

INSPIRATION CORPORATION, CHICAGO

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 8,847	\$ 20,947
Pledges receivable	23,247	11,240
Due from government agencies	225,786	118,977
Prepaid expenses	13,785	18,925
Property and equipment, net (Note 2)	460,256	270,791
	<hr/>	<hr/>
Total Assets	\$ 731,921	\$ 440,880
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts payable	\$ 163,325	\$ 43,720
Accrued expenses	11,329	10,576
Notes payable (Note 4)	422,607	235,139
	<hr/>	<hr/>
Total Liabilities	597,261	289,435
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	134,660	151,445
	<hr/>	<hr/>
Total Net Assets	134,660	151,445
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 731,921	\$ 440,880
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part
of the financial statements.

INSPIRATION CORPORATION, CHICAGO

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUES AND OTHER SUPPORT		
Foundation grants	\$ 618,492	\$ 484,121
Contributions	261,995	170,563
Government grants	1,268,871	559,255
Corporation grants	138,503	83,226
In-kind contributions (Note 3)	300,001	240,000
Program income	214,375	188,466
	<u>2,802,237</u>	<u>1,725,631</u>
EXPENSES		
Program	2,415,454	1,280,518
Administrative and general	165,958	170,136
Fundraising	275,959	248,578
	<u>2,857,371</u>	<u>1,699,232</u>
CHANGE IN NET ASSETS	(55,134)	26,399
NET ASSETS		
Beginning of year	151,445	125,046
Transfer of net assets (Note 6)	38,349	-
	<u>134,660</u>	<u>151,445</u>
End of year	\$ 134,660	\$ 151,445

The accompanying notes are an integral part
of the financial statements.

INSPIRATION CORPORATION, CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005					
	Program	Administrative and General	Fundraising	Totals	Program			
					Administrative and General			
					Fundraising			
					Totals			
Salaries	\$ 1,131,622	\$ 86,735	\$ 136,879	\$ 1,355,236	\$ 581,093	\$ 89,327	\$ 106,711	\$ 777,131
Volunteers - in-kind	183,701	14,080	22,220	220,001	134,100	15,120	30,780	180,000
Food and supplies	183,981	6,418	23,532	213,931	102,941	9,618	18,637	131,196
Rent (Note 5)	117,904	9,037	14,261	141,202	76,683	12,450	11,299	100,432
Rent subsidies	106,382			106,382	82,914			82,914
Other occupancy costs	5,051	387	611	6,049	3,458	181	650	4,289
Direct support	144,177			144,177	47,969			47,969
Insurance	116,245	8,910	14,060	139,215	64,374	2,799	15,920	83,093
Payroll taxes	98,148	7,523	11,872	117,543	48,008	8,652	11,019	67,679
Staff development	1,829	140	221	2,190	879	280	40	1,199
Employee pension plan				-	2,872	480	489	3,841
Outside services	149,083	11,427	18,033	178,543	54,265	3,882	21,001	79,148
Dues and subscriptions	221	1,658	331	2,210	137	963	176	1,276
Depreciation	37,731	2,892	4,564	45,187	17,869	840	1,710	20,419
Office supplies	9,657	740	1,168	11,565	3,717	1,407	2,900	8,024
Telephone	21,925	1,680	2,652	26,257	9,547	5,069	1,913	16,529
Postage	10,780	826	1,304	12,910	3,889	1,946	3,699	9,534
Printing	13,462	2,393	14,060	29,915	10,408	1,977	11,032	23,417
Lease expense	11,320	868	1,369	13,557	2,729	1,279	614	4,622
Utilities	20,718	1,588	2,506	24,812	13,031	1,378	2,766	17,175
Repairs and maintenance	8,267	634	1,000	9,901	5,986	1,690	430	8,106
Transportation	2,074	4,993	615	7,682	2,266	5,419	626	8,311
Licenses and fees	1,909	447	627	2,983	1,470	345	490	2,305
Interest expense	33,682	2,582	4,074	40,338	9,913	4,461	5,452	19,826
Sales tax expense	5,585			5,585				
Miscellaneous				-		573	224	797
	<u>\$ 2,415,454</u>	<u>\$ 165,958</u>	<u>\$ 275,959</u>	<u>\$ 2,857,371</u>	<u>\$ 1,280,518</u>	<u>\$ 170,136</u>	<u>\$ 248,578</u>	<u>\$ 1,699,232</u>

The accompanying notes are an integral part of the financial statements.

INSPIRATION CORPORATION, CHICAGO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Inspiration Corporation, Chicago, Inc. was incorporated as Inspiration Corporation on October 17, 1989 for the purpose of helping homeless individuals improve their lives and increase self-sufficiency through the provision of social services, employment training and housing.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At June 30, 2006 and 2005, the Organization had no permanently or temporarily restricted net assets.

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 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.

Donated Assets - Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from Federal income taxes under the provisions of the Internal Revenue Code Section 501 (c) (3). Accordingly, no provision has been made in the accompanying financial statements for income taxes.

INSPIRATION CORPORATION, CHICAGO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Statement of Cash Flows - The Organization considers investments with an initial maturity of less than three months to be cash equivalents. No cash was paid for income taxes during 2006 and 2005.

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from five to twenty years.

2. PROPERTY AND EQUIPMENT

Balances of major classes of depreciable assets as of June 30, 2006 and 2005, were as follows (at cost):

	<u>2006</u>	<u>2005</u>
Vans	\$ 42,988	\$ 42,988
Office equipment	66,203	32,955
Office furniture	5,645	1,481
Restaurant equipment	106,319	37,951
Leasehold improvements	419,606	185,734
Construction in progress	-	<u>105,000</u>
Total Assets	640,761	406,109
Accumulated depreciation	<u>180,505</u>	<u>135,318</u>
	<u>\$ 460,256</u>	<u>\$ 270,791</u>

3. DONATED SERVICES

The value of donated services included as in-kind contributions in the financial statements and the corresponding expenses for the years ended June 30, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Cafe volunteers	\$ 220,001	\$ 180,000
Food donations	<u>80,000</u>	<u>60,000</u>
Total	<u>\$ 300,001</u>	<u>\$ 240,000</u>

INSPIRATION CORPORATION, CHICAGO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

5. LEASE AGREEMENTS (continued)

Year ended June 30, 2007	\$	150,258
2008		158,099
2009		150,853
2010		155,719
2011		164,017

6. TRANSFER OF NET ASSETS

On July 1, 2005, the Board of Directors of the Organization approved the merger of The Employment Project (TEP) (a 501 (c)(3) organization) into the Inspiration Corporation. The net assets of TEP totaling \$38,349 were transferred as of that date. The Organization will assumed all debts of TEP, including lease commitments.

7. RECLASSIFICATIONS

Certain amounts in the June 30, 2005 financial statements have been reclassified to conform to the current presentation.

8. CONTINGENCIES

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

To the Board of Directors
Inspiration Corporation, Chicago
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Our report on our audit of the basic financial statements of **INSPIRATION CORPORATION, CHICAGO** for the year ended June 30, 2006 appears on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frank L. Sassetti + Co.

October 13, 2006
Oak Park, Illinois

INSPIRATION CORPORATION, CHICAGO

SCHEDULE OF PROGRAM EXPENSES

YEAR ENDED JUNE 30, 2006

	Housing Services	Employment Services	Supportive Services	Program Totals
Salaries	\$ 98,451	\$ 721,975	\$ 311,196	\$ 1,131,622
Volunteers - in-kind	15,982	117,201	50,518	183,701
Food and supplies	6,418	115,523	62,040	183,981
Rent	10,258	75,223	32,423	117,904
Rent subsidies	106,382			106,382
Other occupancy costs	440	3,222	1,389	5,051
Direct support	12,543	91,985	39,649	144,177
Insurance	10,113	74,164	31,968	116,245
Payroll taxes	8,539	62,619	26,990	98,148
Staff development	159	1,167	503	1,829
Outside services	12,970	95,115	40,998	149,083
Dues and subscriptions	19	141	61	221
Depreciation	3,283	24,072	10,376	37,731
Office supplies	840	6,161	2,656	9,657
Telephone	1,908	13,988	6,029	21,925
Postage	938	6,878	2,964	10,780
Printing	1,171	8,589	3,702	13,462
Lease expense	985	7,222	3,113	11,320
Utilities	1,802	13,218	5,698	20,718
Repairs and maintenance	719	5,274	2,274	8,267
Transportation	180	1,324	570	2,074
Licenses and fees	166	1,218	525	1,909
Interest expense	2,930	21,490	9,262	33,682
Sales tax expense		5,585		5,585
	<u>\$ 297,196</u>	<u>\$ 1,473,354</u>	<u>\$ 644,904</u>	<u>\$ 2,415,454</u>