HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC.
D/B/A
IMPACT BEHAVIORAL HEALTH PARTNERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL HEALTH PARTNERS

YEAR ENDED JUNE 30, 2017

CONTENTS

Independent Auditors' Report

Board of Directors
Housing Options for the Mentally-Ill in Evanston, Inc.
d/b/a Impact Behavioral Health Partners

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from 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.

NBC Tower - Suite 1500 | 455 N. Cityfront Plaza Dr. | Chicago, IL 60611-5313 | P: 312.670.7444 | F: 312.670.8301 | www.orba.com
Independent Affiliate of BKR International

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 financial statements referred to above present fairly, in all material respects, the financial position of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners as of June 30, 2017, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance 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 compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ostrow Reisin Berk & Abrams, Ltd.

February 7, 2018

HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC.
D/B/A
IMPACT BEHAVIORAL HEALTH PARTNERS

STATEMENT OF FINANCIAL POSITION
WITH SUMMARIZED FINANCIAL INFORMATION FOR JUNE 30, 2016

June 30,	2017						2016
	Unrestricted						
	Operating	Board-designated	Total	Temporarily restricted	Permanently restricted	Total	Total
ASSETS							
Cash	$ 165,353	$ 50,000	$ 215,353		$ 2,069	$ 217,422	$ 136,114
Receivables:							
Government grants	91,597		91,597			91,597	163,135
Grants and contributions	22,643		22,643	$ 4,931		27,574	76,940
Participation fees and self-pay	3,363		3,363			3,363	8,087
Total receivables	117,603		117,603	4,931		122,534	248,162
Notes payable reserve	37,513		37,513			37,513	80,908
Prepaid expenses	33,954		33,954			33,954	10,958
Investments	136,194		136,194			136,194	43,138
Property and equipment, net	1,914,886		1,914,886	1,595,833		3,510,719	3,649,378
Security deposits	2,389		2,389			2,389	2,389
Total assets	$ 2,407,892	$ 50,000	$ 2,457,892	$ 1,600,764	$ 2,069	$ 4,060,725	$ 4,171,047
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and accrued expenses	$ 37,172		$ 37,172			$ 37,172	$ 40,391
Notes payable, less unamortized discount	1,343,074		1,343,074			1,343,074	1,291,185
Total liabilities	1,380,246		1,380,246			1,380,246	1,331,576
Net assets	1,027,646	$ 50,000	1,077,646	$ 1,600,764	$ 2,069	2,680,479	2,839,471
Total liabilities and net assets	$ 2,407,892	$ 50,000	$ 2,457,892	$ 1,600,764	$ 2,069	$ 4,060,725	$ 4,171,047

See notes to financial statements.

HOUSING OPTIONS FOR THE
MENTALLY-ILL IN EVANSTON, INC.
D/B/A
IMPACT BEHAVIORAL HEALTH PARTNERS

STATEMENT OF ACTIVITIES
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Years ended June 30,	2017						2016
	Unrestricted						
	Operating	Board-designated	Total	Temporarily restricted	Permanently restricted	Total	Total
Revenue, support and gains:							
Government grants:							
Illinois Department of Human Services	$ 635,942		$ 635,942			$ 635,942	$ 553,907
U.S. Department of Housing and Urban Development	367,151		367,151			367,151	339,464
Evanston Mental Health Board	59,450		59,450			59,450	58,900
Grants and contributions	608,081		608,081	$ 4,931		613,012	514,669
Participation fees	184,464		184,464			184,464	203,460
Investment income and other interest	12,454		12,454		$ 2	12,456	555
Other	2,758		2,758			2,758	
Net assets released from restrictions	118,508		118,508	(118,508)			
Total revenue, support and gains	1,988,808		1,988,808	(113,577)	2	1,875,233	1,670,955
Expenses:							
Program services	1,532,422		1,532,422			1,532,422	1,416,021
Management and general	290,739		290,739			290,739	240,760
Fundraising	211,064		211,064			211,064	128,616
Total expenses	2,034,225		2,034,225			2,034,225	1,785,397
Change in net assets	(45,417)		(45,417)	(113,577)	2	(158,992)	(114,442)
Net assets, beginning of year	1,073,063	$ 50,000	1,123,063	1,714,341	2,067	2,839,471	2,953,913
Net assets, end of year	$ 1,027,646	$ 50,000	$ 1,077,646	$ 1,600,764	$ 2,069	$ 2,680,479	$ 2,839,471

See notes to financial statements.

HOUSING OPTIONS FOR THE
MENTALLY-ILL IN EVANSTON, INC.
D/B/A
IMPACT BEHAVIORAL HEALTH PARTNERS

STATEMENT OF FUNCTIONAL EXPENSES
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Years ended June 30,	2017							2016
	Program Services			Supporting Services				
	Support services	Building management	Total	Management and general	Fundraising	Total	Total expenses	Total expenses
Building repairs and maintenance	$ 451	$ 95,687	$ 96,138				$ 96,138	$ 63,747
Building utilities	6,199	37,397	43,596				43,596	49,491
Community development and fundraising					$ 33,491	$ 33,491	33,491	12,767
Conferences and meetings	2,354		2,354	$ 484	387	871	3,225	2,815
Consulting	49,298		49,298	10,130	8,104	18,234	67,532	3,656
Employee benefits	58,232		58,232	19,019	9,389	28,408	86,640	76,007
Insurance	11,284	20,615	31,899	1,865	1,491	3,356	35,255	32,529
Interest	888	7,858	8,746	183	146	329	9,075	12,750
Local transportation	12,615		12,615	1,139	1,871	3,010	15,625	14,935
Miscellaneous	5,020	1,416	6,436	850	681	1,531	7,967	7,225
Occupancy	25,944		25,944	5,292	4,234	9,526	35,470	40,698
Office expense	11,471		11,471	2,356	1,886	4,242	15,713	16,135
Payroll taxes	61,659		61,659	20,138	9,941	30,079	91,738	72,202
Professional fees	17,498		17,498	16,152	29,515	45,667	63,165	72,885
Psychiatrist	54,000		54,000				54,000	59,853
Resident support	14,346		14,346				14,346	16,188
Salaries	629,700		629,700	205,660	101,530	307,190	936,890	793,861
Scattered site apartment rentals	166,155		166,155				166,155	172,344
Software licenses and fees	15,644		15,644	3,215	2,572	5,787	21,431	18,264
Staff training	6,390		6,390	1,313	1,050	2,363	8,753	7,988
Telephone	11,026		11,026	2,265	1,812	4,077	15,103	15,432
Total expenses before depreciation and amortization	1,160,174	162,973	1,323,147	290,061	208,100	498,161	1,821,308	1,561,772
Amortization of loan discount		73,793	73,793				73,793	69,077
Depreciation and amortization	10,592	124,890	135,482	678	2,964	3,642	139,124	154,548
Total expenses	$ 1,170,766	$ 361,656	$ 1,532,422	$ 290,739	$ 211,064	$ 501,803	$ 2,034,225	$ 1,785,397

See notes to financial statements.

HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL HEALTH PARTNERS

STATEMENT OF CASH FLOWS
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Years ended June 30,	**2017**	2016
Cash flows from operating activities:		
Change in net assets	**$ (158,992)**	$ (114,442)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**139,124**	154,548
Amortization of loan discount	**73,793**	69,077
Net realized and unrealized (gains) losses	**(11,183)**	2,187
Donated investments	**(80,600)**	
Provision for bad debts		584
(Increase) decrease in operating assets:		
Receivables	**125,628**	161,500
Prepaid expenses	**(22,996)**	2,603
Security deposits		2,930
Decrease in operating liabilities:		
Accounts payable and accrued expenses	**(3,219)**	(14,206)
Net cash provided by operating activities	**61,555**	264,781
Cash flows from investing activities:		
Notes payable reserve	**43,395**	(30,454)
Purchase of investments	**(59,632)**	(3,901)
Proceeds from sale of investments	**58,359**	86,000
Purchase of property and equipment	**(465)**	(15,039)
Net cash provided by investing activities	**41,657**	36,606

See notes to financial statements.

HOUSING OPTIONS FOR THE
MENTALLY-ILL IN EVANSTON, INC.
D/B/A
IMPACT BEHAVIORAL HEALTH PARTNERS

STATEMENT OF CASH FLOWS (CONTINUED)
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Years ended June 30,	**2017**	2016
Cash flows from financing activity:		
Repayments of notes payable	**$ (21,904)**	$ (332,040)
Net cash used in financing activity	**(21,904)**	(332,040)
Net increase (decrease) in cash	**81,308**	(30,653)
Cash, beginning of year	**136,114**	166,767
Cash, end of year	**$ 217,422**	$ 136,114
Supplemental disclosure of cash flow information:		
Interest paid	**$ 9,075**	$ 12,750
Supplemental disclosure of non-cash investing and financing activity:		
Property and equipment financed with note payable		$ 45,000

See notes to financial statements.

1. Organization and purpose

Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners (the Organization) is a nonprofit organization founded in 1988 by a group of Evanston citizens concerned about the lack of affordable alternatives to homelessness and unnecessary institutionalization for adults recovering from chronic mental illnesses in Evanston.

The Organization's mission is to:

- Develop housing opportunities for adults recovering from chronic mental illnesses.
- Provide a network of support services so that each person can live as independently as possible.
- Advance understanding of mental illnesses and the need for supportive housing.

2. Summary of significant accounting policies

The significant accounting policies of the Organization are summarized below.

Basis of accounting:

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> **Unrestricted** - Unrestricted net assets are available to finance the general operations of the Organization. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in its articles of incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Organization's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "unrestricted net assets". Board-designated net assets include assets over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Board-designated net assets represent assets to fund future property improvements.

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Temporarily restricted - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the Organization to utilize or expend part or all of the income or other economic benefits derived from the donated assets.

Unrestricted and restricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization reports donor-restricted contributions and donor-restricted investment gains and income for which restrictions are met in the same reporting period as unrestricted support.

Comparative financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

2. Summary of significant accounting policies (continued)

Participation fees:

Participation fees are rental income and is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the properties are operating leases.

Property and equipment and related depreciation and amortization:

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation and amortization are computed on a straight-line basis as follows:

Buildings	40 years
Building improvements	15 years
Leasehold improvments	Shorter of life of lease or 15 years
Furniture, equipment and vehicles	5-10 years

Tax status:

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the requirement for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2017 and 2016.

2. Summary of significant accounting policies (continued)

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments:

Investments are stated at fair value. Realized and unrealized investment gains and losses and other investment income are reflected in the statements of activities as changes in unrestricted net assets.

Receivables:

Receivables that are expected to be collected within one year are recorded at net realizable value. When applicable, receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides an allowance, as needed, for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of specific donor or vendor history and collection experience. Unconditional promises to give at June 30, 2017 and 2016 are receivable in less than one year.

Donated goods and services:

The Organization records the fair value of contributed goods and services provided that the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. Many individuals volunteer their time and perform tasks that assist the Organization. No amounts have been reflected in the financial statements for those donated services for the years ended June 30, 2017 and 2016.

2. Summary of significant accounting policies (continued)

Donated goods and services: (continued)

The following donated goods and services are included as in-kind contribution revenue in the statements of activities:

Years ended June 30,	**2017**	2016
Specialized program services	**$ 39,960**	$ 45,840
Occupancy	**12,640**	6,280
Furnishings and equipment		6,617
Legal, professional and other services	**14,465**	12,523
Other	**3,300**	
Total	**$ 70,365**	$ 71,260

Functional allocation of expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent events:

Management has evaluated subsequent events through February 7, 2018, the date the financial statement were available to be issued.

3. Cash

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2017 and 2016, the Organization did not have any uninsured cash balances. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not subject to any significant credit risk on cash.

4. Concentration of revenue

Approximately 53% of the Organization's total revenue for each of the years ended June 30, 2017 and 2016, is provided from grants from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services. Additionally, approximately 75% and 66% of the Organization's receivables at June 30, 2017 and 2016, respectively, are from the Illinois Department of Human Services.

5. Investments

The Organization's investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following:

June 30,	**2017**	2016
Common stock	**$ 24,277**	
Mutual funds - money market fund	**58,610**	
Mutual funds - equity fund	**53,307**	$ 43,138
Total	**$ 136,194**	$ 43,138

6. Property and equipment

The following is a summary of property and equipment:

June 30,	**2017**	2016
Land	**$ 496,684**	$ 496,684
Buildings and building improvements	**4,300,404**	4,300,404
Leasehold improvements	**34,097**	34,097
Furniture, equipment and vehicles	**111,802**	111,337
	4,942,987	4,942,522
Less accumulated depreciation and amortization	**1,432,268**	1,293,144
Property and equipment, net	**$ 3,510,719**	$ 3,649,378

7. Notes payable

The Organization's obligations under notes payable consist of the following:

June 30,			2017			2016		
	Rate	Due	**Principal balance**	**Unamortized discount**	**Principal balance less unamortized discount**	Principal balance	Unamortized discount	Principal balance less unamortized discount
BANK:								
1304 Kirk Street (Gavin House):								
First mortgage note, secured by underlying property and assignment of rents. Balloon principal payment of $146,083 on due date. Penalties for prepayment ranging from 1.00% to 3.00% are assessed based on the length of time the loan is outstanding.	5.00%	July 2018	**$ 151,748**	**N/A**	**$ 151,748**	$ 157,711	N/A	$ 157,711
Term loan - Office leaseholds/furniture and equipment								
Note, secured by mortgage and assignment of rents. Required monthly payment of $830.	4.00%	November 2020	**21,932**	**N/A**	**21,932**	36,673	N/A	36,673
ILLINOIS HOUSING DEVELOPMENT AUTHORITY:								
328 Custer Ave. (Bell House):								
Mortgage note, due in one payment. Contains certain restrictions on the Organization as to the use of the property as well as various other requirements and may not be repaid prior to maturity without written consent of the Illinois Housing Development Authority. Discount is based on imputed interest rate of 7.47%.	0.00%	April 2023	**234,000**	**$ 82,449**	**151,551**	234,000	$ 93,324	140,676
2120 Jackson Ave. (HomeFirst):								
Mortgage note, due in one payment. Contains certain restrictions on the Organization as to the use of the property as well as various other requirements and may not be repaid prior to maturity without written consent of the Illinois Housing Development Authority. Discount is based on imputed interest rate of 8.85%.	0.00%	April 2022	**175,000**	**60,725**	**114,275**	175,000	70,370	104,630

7. Notes payable (continued)

June 30,			2017			2016		
	Rate	Due	**Principal balance**	**Unamortized discount**	**Principal balance less unamortized discount**	Principal balance	Unamortized discount	Principal balance less unamortized discount
ILLINOIS HOUSING DEVELOPMENT AUTHORITY: (CONTINUED)								
419 Keeney (Claire) and 1009 Florence (Ganey):								
Note payable secured by a mortgage on the properties. The note cannot be repaid before maturity without written consent of the payee. Default interest at 5.00% and principal may be payable due to non-compliance with provisions of the agreements with the Illinois Housing Development Authority. Discount is based on imputed interest rate of 8.00%.	0.00%	August 2026	**$ 210,000**	**$ 108,890**	**$ 101,110**	$ 210,000	$ 116,639	$ 93,361
818 Crain (Rose House):								
Note payable secured by a first mortgage on the property. Monthly principal payments of $100 with balloon principal payment at maturity. The note cannot be repaid before maturity without written consent of the payee. Default interest at 5.00% and principal may be payable due to non-compliance with provisions of the agreements with the Illinois Housing Development Authority. Discount is based on imputed interest rate of 6.24%.	0.00%	February 2028	**888,800**	**428,460**	**460,340**	890,000	456,275	433,725
Note payable secured by second mortgage on the property. The note cannot be repaid before maturity without written consent of the payee. Default interest at 5.00% and principal may be payable due to non-compliance with provisions of the agreements with the Illinois Housing Development Authority. Discount is based on imputed interest rate of 6.24%.	0.00%	February 2028	**175,000**	**84,978**	**90,022**	175,000	90,417	84,583
CITY OF EVANSTON								
HOME Program (419 Keeney (Claire)/1009 Florence (Ganey) and 2120 Jackson Ave. (HomeFirst))								
Note payable secured by a junior mortgage and assignment of rents on the properties. No principal payments are due during the 15-year term. Once the note term is completed and there is no uncured default, the note will be forgiven in its entirety. Default interest at the Federal Discount Rate and principal may be payable due to non-compliance with provisions of the agreement with the City of Evanston. Discount is based on imputed interest rate of 5.00%.	0.00%	June 2029	**458,777**	**206,681**	**252,096**	458,777	218,951	239,826
			$ 2,315,257	**$ 972,183**	**$ 1,343,074**	$ 2,337,161	$ 1,045,976	$ 1,291,185

7. Notes payable (continued)

Reserve accounts:

The 818 Crain (Rose House) loans require the Organization to fund the following reserve accounts: replacement reserve account, tax and insurance reserve account, initial operating reserve account and operating deficit reserve account. The reserve accounts totaled $37,513 and $80,908 as of June 30, 2017 and 2016, respectively. At the discretion of the Illinois Housing Development Authority, the Organization may be required to fund the replacement reserve account with monthly payments of $225.

The tax and insurance reserve account is funded so that funds equal to one-half of 105% of the property's real estate tax bill for the prior calendar year plus funds equal to 105% of the property's insurance bill for the prior calendar year (or such other amounts as the Illinois Housing Development Authority shall determine in its reasonable discretion) are maintained in the account on the first day of the month before each insurance bill and installment of real estate taxes are due. The initial operating reserve account and the operating deficit reserve account require no additional payments subsequent to initial funding.

Debt service to maturity on all outstanding loan obligations is as follows:

Year ending June 30:	Principal
2018	$ 22,833
2019	153,247
2020	1,200
2021	1,200
2022	176,200
Thereafter (2023 through 2028)	1,960,577
Total	$ 2,315,257

The Organization has a $100,000 line of credit of which $-0- had been borrowed as of June 30, 2017 and 2016. The line of credit expired in January 2018. The Organization is working with the lender to renew the line of credit. Interest charged on advances on the line of credit are at the higher of 1% plus the prime rate or 5% (5.25% and 5.00% at June 30, 2017 and 2016, respectively) and are collateralized by all business assets, a mortgage and assignment of rents.

8. Designation of unrestricted net assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and to designate appropriate sums of unrestricted net assets to ensure adequate financing of such improvements. As of June 30, 2017 and 2016, the Board has designated $50,000 of unrestricted net assets for future property improvements.

9. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes or periods:

June 30,	**2017**	2016
Time-restricted funds:		
Contributions receivable	**$ 4,931**	$ 44,715
Acquisition of property and equipment:		
U.S. Department of Housing and Urban Development - recapture agreements	**306,784**	306,784
Federal Home Loan Bank of Chicago - recapture agreement	**316,866**	316,866
Illinois Housing Development Authority loans - unamortized loan discount	**972,183**	1,045,976
Total temporarily restricted net assets	**$ 1,600,764**	$ 1,714,341

Net assets were released from donor restrictions by incurring expenses satisfying the following restrictions specified by donors:

Years ended June 30,	**2017**	2016
Time-restricted funds:		
Contributions receivable	**$ 44,715**	$ 1,000
Illinois Housing Development Authority loans - amortization of loan discount	**73,793**	69,077
Total net assets released from restrictions	**$ 118,508**	$ 70,077

10. Permanently restricted net assets

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities.

11. Retirement plan

The Organization sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Code for eligible employees. All employees are eligible upon hiring and are fully vested immediately. The plan provides for discretionary contributions. During the years ended June 30, 2017 and 2016, the Organization made discretionary contributions equal to 1.5% of compensation for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Code. Contributions to the plan totaled $15,358 and $13,379 for the years ended June 30, 2017 and 2016, respectively.

12. Leases

Office:

The Organization leases office space under a lease agreement expiring on September 30, 2018. The lease calls for monthly payments of base rent only. Future minimum payments are $37,260 and $9,480 for the years ending June 30, 2018 and 2019, respectively.

Rent expense was $35,280 and $34,691 for the years ended June 30, 2017 and 2016, respectively.

Scattered site apartment rentals:

In furtherance of its mission, the Organization occupies various residential rental properties under short-term leases, which expire at various times during the year ending June 30, 2018 and year ended June 30, 2017. Depending on the Organization's needs, some of the leases may not be renewed upon expiration. The Organization's lease obligation for the year ending June 30, 2018 under these lease obligations is approximately $166,000.

Scattered site apartment rent expense was $166,155 and $172,344 for the years ended June 30, 2017 and 2016, respectively.

Independent Auditors' 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*

Board of Directors
Housing Options for the Mentally-Ill in Evanston, Inc.
d/b/a Impact Behavioral Health Partners

We have audited, in accordance with the 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, the financial statements of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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. 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.

NBC Tower - Suite 1500 | 455 N. Cityfront Plaza Dr. | Chicago, IL 60611-5313 | P: 312.670.7444 | F: 312.670.8301 | www.orba.com
Independent Affiliate of BKR International

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Ostrow Reisin Berk & Abrams, Ltd.

February 7, 2018