

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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

YEARS ENDED JUNE 30, 2018 AND 2017

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## **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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 December 5, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Ostrow Reisin Berk & Abrams, Ltd.*

December 5, 2018

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

STATEMENTS OF FINANCIAL POSITION

June 30,	2018	2017
<b>ASSETS</b>		
Cash	\$ 178,018	\$ 217,422
Receivables:		
Government grants and contracts	42,736	63,251
Managed care organizations	51,588	28,346
Grants and contributions	22,993	27,574
Participation fees and self-pay	8,429	3,363
Total receivables	125,746	122,534
Notes payable reserve	48,819	37,513
Prepaid expenses	14,151	33,954
Investments	160,143	136,194
Property and equipment, net	3,418,387	3,510,719
Security deposits	2,389	2,389
Total assets	\$ 3,947,653	\$ 4,060,725

*See notes to financial statements.*

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

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2018	2017
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 66,148	\$ 37,172
Notes payable, less unamortized discount	1,399,113	1,343,074
<b>Total liabilities</b>	<b>1,465,261</b>	<b>1,380,246</b>
Net assets:		
Unrestricted:		
Undesignated	913,342	1,027,646
Board-designated	50,000	50,000
<b>Total unrestricted</b>	<b>963,342</b>	<b>1,077,646</b>
Temporarily restricted	1,516,978	1,600,764
Permanently restricted	2,072	2,069
<b>Total net assets</b>	<b>2,482,392</b>	<b>2,680,479</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,947,653</b>	<b>\$ 4,060,725</b>

*See notes to financial statements.*

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

STATEMENTS OF ACTIVITIES

Years ended June 30,	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, support and gains:								
Government grants and contracts:								
Illinois Department of Human Services	\$ 634,530			\$ 634,530	\$ 513,344			\$ 513,344
U.S. Department of Housing and Urban Development	374,758			374,758	367,151			367,151
Managed care organizations	247,585			247,585	122,598			122,598
Grants and contributions	432,983			432,983	667,531	\$ 4,931		672,462
Participation fees	174,211			174,211	184,464			184,464
Special event, net of direct benefit to donors of \$32,200 for the year ended June 30, 2018	128,850			128,850				
Investment income and other interest	16,246		\$ 3	16,249	12,454		\$ 2	12,456
Other	12,076			12,076	2,758			2,758
Net assets released from restrictions	83,786	\$ (83,786)			118,508	(118,508)		
<b>Total revenue, support and gains</b>	<b>2,105,025</b>	<b>(83,786)</b>	<b>3</b>	<b>2,021,242</b>	<b>1,988,808</b>	<b>(113,577)</b>	<b>2</b>	<b>1,875,233</b>
Expenses:								
Program services	1,505,674			1,505,674	1,532,422			1,532,422
Management and general	556,238			556,238	290,739			290,739
Fundraising	157,417			157,417	211,064			211,064
<b>Total expenses</b>	<b>2,219,329</b>			<b>2,219,329</b>	<b>2,034,225</b>			<b>2,034,225</b>
Change in net assets	(114,304)	(83,786)	3	(198,087)	(45,417)	(113,577)	2	(158,992)
Net assets, beginning of year	1,077,646	1,600,764	2,069	2,680,479	1,123,063	1,714,341	2,067	2,839,471
Net assets, end of year	\$ 963,342	\$ 1,516,978	\$ 2,072	\$ 2,482,392	\$ 1,077,646	\$ 1,600,764	\$ 2,069	\$ 2,680,479

See notes to financial statements.

**HOUSING OPTIONS FOR THE  
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**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended June 30, 2018	Program Services			Supporting Services		Direct benefit to donors	Total
	Support services	Building management	Total	Management and general	Fundraising		
Building repairs and maintenance	\$ 20	\$ 92,528	\$ 92,548	\$ 604			\$ 93,152
Building utilities	33	51,476	51,509	93			51,602
Community development and fundraising					\$ 13,377		13,377
Conferences and meetings	258		258	1,604	77		1,939
Consulting	50		50	4,728	202		4,980
Employee benefits	67,788	6,967	74,755	37,846	9,053		121,654
Insurance		9,889	9,889	25,501			35,390
Interest		8,163	8,163				8,163
Local transportation	21,778	479	22,257		29		22,286
Miscellaneous	3,072	15,674	18,746	4,120	2,780		25,646
Occupancy	14,785	2,318	17,103	16,665	1,512		35,280
Office expense	5,893	681	6,574	9,208	3,923		19,705
Participant support	15,974	32	16,006	75	100		16,181
Payroll taxes	60,217	10,928	71,145	24,678	11,210		107,033
Professional fees	89	200	289	78,398	1,007		79,694
Psychiatrist	47,200		47,200				47,200
Salaries	596,745	113,587	710,332	285,793	109,316		1,105,441
Scattered site apartment rentals		161,053	161,053				161,053
Software licenses and fees	4,445	689	5,134	19,800	1,282		26,216
Special event					2,754	\$ 32,200	34,954
Staff training	5,257	562	5,819	2,012	193		8,024
Telephone	7,275	1,295	8,570	5,225	602		14,397
<b>Total expenses before depreciation and amortization</b>	<b>850,879</b>	<b>476,521</b>	<b>1,327,400</b>	<b>516,350</b>	<b>157,417</b>	<b>32,200</b>	<b>2,033,367</b>
Amortization of loan discount		51,806	51,806	27,049			78,855
Depreciation and amortization	171	126,297	126,468	12,839			139,307
<b>Total expenses</b>	<b>851,050</b>	<b>654,624</b>	<b>1,505,674</b>	<b>556,238</b>	<b>157,417</b>	<b>32,200</b>	<b>2,251,529</b>
Less expenses included with revenue, support and gains on the statements of activities						(32,200)	(32,200)
<b>Total expenses included in the expenses section on the statements of activities</b>	<b>\$ 851,050</b>	<b>\$ 654,624</b>	<b>\$ 1,505,674</b>	<b>\$ 556,238</b>	<b>\$ 157,417</b>	<b>\$ -</b>	<b>\$ 2,219,329</b>

*See notes to financial statements.*



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

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2017	Program Services			Supporting Services		Total expenses
	Support services	Building management	Total	Management and general	Fundraising	
Building repairs and maintenance	\$ 451	\$ 95,687	\$ 96,138			\$ 96,138
Building utilities	6,199	37,397	43,596			43,596
Community development and fundraising					\$ 33,491	33,491
Conferences and meetings	2,354		2,354	\$ 484	387	3,225
Consulting	49,298		49,298	10,130	8,104	67,532
Employee benefits	58,232		58,232	19,019	9,389	86,640
Insurance	11,284	20,615	31,899	1,865	1,491	35,255
Interest	888	7,858	8,746	183	146	9,075
Local transportation	12,615		12,615	1,139	1,871	15,625
Miscellaneous	5,020	1,416	6,436	850	681	7,967
Occupancy	25,944		25,944	5,292	4,234	35,470
Office expense	11,471		11,471	2,356	1,886	15,713
Participant support	14,346		14,346			14,346
Payroll taxes	61,659		61,659	20,138	9,941	91,738
Professional fees	17,498		17,498	16,152	29,515	63,165
Psychiatrist	54,000		54,000			54,000
Salaries	629,700		629,700	205,660	101,530	936,890
Scattered site apartment rentals	166,155		166,155			166,155
Software licenses and fees	15,644		15,644	3,215	2,572	21,431
Staff training	6,390		6,390	1,313	1,050	8,753
Telephone	11,026		11,026	2,265	1,812	15,103
Total expenses before depreciation and amortization	1,160,174	162,973	1,323,147	290,061	208,100	1,821,308
Amortization of loan discount		73,793	73,793			73,793
Depreciation and amortization	10,592	124,890	135,482	678	2,964	139,124
Total expenses	\$ 1,170,766	\$ 361,656	\$ 1,532,422	\$ 290,739	\$ 211,064	\$ 2,034,225

See notes to financial statements.

**HOUSING OPTIONS FOR THE  
MENTALLY-ILL IN EVANSTON, INC.  
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**STATEMENTS OF CASH FLOWS**

Years ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (198,087)	\$ (158,992)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	139,307	139,124
Amortization of loan discount	78,855	73,793
Net realized and unrealized gains	(13,020)	(11,183)
Donated investments	(8,845)	(80,600)
(Increase) decrease in operating assets:		
Receivables	(3,212)	125,628
Prepaid expenses	19,803	(22,996)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	28,976	(3,219)
Net cash provided by operating activities	43,777	61,555
Cash flows from investing activities:		
(Restriction) release of cash for notes payable reserve funds	(11,306)	43,395
Purchase of investments	(2,084)	(59,632)
Proceeds from sale of investments		58,359
Purchase of property and equipment	(46,975)	(465)
Net cash provided by (used in) investing activities	(60,365)	41,657

*See notes to financial statements.*

**HOUSING OPTIONS FOR THE  
MENTALLY-ILL IN EVANSTON, INC.  
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STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2018	2017
Cash flows from financing activity:		
Repayments of notes payable	\$ (22,816)	\$ (21,904)
Net cash used in financing activity	(22,816)	(21,904)
Net increase (decrease) in cash	(39,404)	81,308
Cash, beginning of year	217,422	136,114
Cash, end of year	\$ 178,018	\$ 217,422
Supplemental disclosure of cash flow information:		
Interest paid	\$ 87,018	\$ 82,868

*See notes to financial statements.*

**HOUSING OPTIONS FOR THE  
MENTALLY-ILL IN EVANSTON, INC.  
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**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. 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, and 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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**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.

**Government grants and contracts, managed care organizations, and participation fees revenue:**

Revenue is recognized as services are performed. Amounts received in advance are deferred until earned.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of significant accounting policies (continued)**

**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 improvements	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, 2018 and 2017.

**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.

**HOUSING OPTIONS FOR THE  
MENTALLY-ILL IN EVANSTON, INC.  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of significant accounting policies (continued)**

**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.

**Government grants and contracts, managed care organizations, and grants and contributions 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, 2018 and 2017 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.

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

Years ended June 30,	2018	2017
Specialized program services	\$ 30,787	\$ 39,960
Occupancy		12,640
Furnishings and equipment	2,425	
Legal, professional and other services		14,465
Other	3,603	3,300
<b>Total</b>	<b>\$ 36,815</b>	<b>\$ 70,365</b>

**HOUSING OPTIONS FOR THE  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**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 December 5, 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, 2018 and 2017, 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 50% and 47% of the Organization's total revenue for the years ended June 30, 2018 and 2017, respectively, is provided from grants from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services. Additionally, approximately 34% and 52% of the Organization's receivables at June 30, 2018 and 2017, respectively, are from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.



**HOUSING OPTIONS FOR THE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**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,	2018	2017
Common stock	\$ 37,556	\$ 24,277
Mutual funds - money market fund	59,346	58,610
Mutual funds - equity fund	63,241	53,307
<b>Total</b>	<b>\$ 160,143</b>	<b>\$ 136,194</b>

**6. Property and equipment**

The following is a summary of property and equipment:

June 30,	2018	2017
Land	\$ 496,684	\$ 496,684
Buildings and building improvements	4,305,952	4,300,404
Leasehold improvements	34,097	34,097
Furniture, equipment and vehicles	111,802	111,802
	<b>4,948,535</b>	4,942,987
Less accumulated depreciation and amortization	1,571,575	1,432,268
	<b>3,376,960</b>	3,510,719
Construction in process	41,427	
<b>Property and equipment, net</b>	<b>\$ 3,418,387</b>	<b>\$ 3,510,719</b>

**HOUSING OPTIONS FOR THE  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**7. Notes payable**

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

June 30,				2018			2017			
	Rate	Due	Principal balance	Unamortized discount	Principal balance less unamortized discount	Principal balance	Unamortized discount	Principal balance less unamortized discount		
<b>BANK:</b>										
<u>1304 Kirk Street (Gavin House):</u>										
First mortgage note, collateralized by underlying property and assignment of rents. Balloon principal payment of \$108,905 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 2023	\$ 145,476	N/A	\$ 145,476	\$ 151,748	N/A	\$ 151,748
<u>Term loan - Office leaseholds/furniture and equipment</u>										
Note, collateralized by mortgage and assignment of rents. Required monthly payment of \$830.			4.00%	November 2020	6,588	N/A	6,588	21,932	N/A	21,932
<b>ILLINOIS HOUSING DEVELOPMENT AUTHORITY:</b>										
<u>328 Custer Ave. (Bell House):</u>										
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	\$ 70,732	163,268	234,000	\$ 82,449	151,551
<u>2120 Jackson Ave. (HomeFirst):</u>										
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	50,192	124,808	175,000	60,725	114,275

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**7. Notes payable (continued)**

June 30,				2018			2017		
	Rate	Due	Principal balance	Unamortized discount	Principal balance less unamortized discount	Principal balance	Unamortized discount	Principal balance less unamortized discount	
<b>ILLINOIS HOUSING DEVELOPMENT AUTHORITY: (CONTINUED)</b>									
<u>419 Keeney (Claire) and 1009 Florence (Ganey):</u>									
Note payable collateralized 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	\$ 100,498	\$ 109,502	\$ 210,000	\$ 108,890	\$ 101,110	
<u>818 Crain (Rose House):</u>									
Note payable collateralized 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	887,600	398,933	488,667	888,800	428,460	460,340	
Note payable collateralized 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	79,190	95,810	175,000	84,978	90,022	
<b>CITY OF EVANSTON:</b>									
<u>HOME Program (419 Keeney (Claire)/1009 Florence (Ganey) and 2120 Jackson Ave. (HomeFirst))</u>									
Note payable collateralized 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	193,783	264,994	458,777	206,681	252,096	
			<b>\$ 2,292,441</b>	<b>\$ 893,328</b>	<b>\$ 1,399,113</b>	<b>\$ 2,315,257</b>	<b>\$ 972,183</b>	<b>\$ 1,343,074</b>	

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**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 \$48,819 and \$37,513 as of June 30, 2018 and 2017, 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
2019	\$ 13,840
2020	8,121
2021	8,499
2022	183,878
2023	243,276
Thereafter (2024 through 2029)	1,834,827
<b>Total</b>	<b>\$ 2,292,441</b>

The Organization has a \$100,000 line of credit expiring in January 2019 of which \$-0- had been borrowed as of June 30, 2018 and 2017. At June 30, 2018, interest charged on advances on the line of credit are at the prime rate of interest (5.00%). At June 30, 2017, interest charged on advances on the line of credit are at 1% plus the prime rate of interest (4.25%). The line of credit is collateralized by all business assets, a mortgage and assignment of rents.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**7. Notes payable (continued)**

Total interest expense on notes payable and the line of credit, including amortization of loan discount classified as interest, is \$87,018 and \$82,868 for the years ended June 30, 2018 and 2017, respectively.

**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, 2018 and 2017, 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,	2018	2017
Time-restricted funds:		
Contributions receivable		\$ 4,931
Acquisition of property and equipment:		
Recapture agreements	\$ 623,650	623,650
Unamortized loan discount	893,328	972,183
<b>Total temporarily restricted net assets</b>	<b>\$ 1,516,978</b>	<b>\$ 1,600,764</b>

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

Years ended June 30,	2018	2017
Time-restricted funds:		
Contributions receivable	\$ 4,931	\$ 44,715
Amortization of loan discount	78,855	73,793
<b>Total net assets released from restrictions</b>	<b>\$ 83,786</b>	<b>\$ 118,508</b>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**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, 2018 and 2017, 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 \$16,804 and \$15,358 for the years ended June 30, 2018 and 2017, respectively.

**12. Leases**

**Office:**

The Organization leases office space under a lease agreement expiring on September 30, 2020. The lease calls for monthly payments of base rent only. Future minimum payments are \$39,738, \$40,344 and \$10,086 for the years ending June 30, 2019, 2020 and 2021, respectively.

Rent expense was \$35,280 for each of the years ended June 30, 2018 and 2017.

**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 years ended June 30, 2018 and 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 ended June 30, 2018 under these lease obligations is approximately \$161,000.

Scattered site apartment rent expense was \$161,053 and \$166,155 for the years ended June 30, 2018 and 2017, 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, 2018, 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 December 5, 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.

## **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.*

December 5, 2018