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

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2020 AND 2019

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

YEARS ENDED JUNE 30, 2020 AND 2019

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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 and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners (a nonprofit organization) and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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.

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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 financial position of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidated Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplementary information on page 27 is presented for purposes of additional analysis and is 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 audits 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, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, 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 16, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	**2020**	2019
ASSETS		
Cash	**$ 606,530**	$ 459,186
Investments	**326,448**	166,600
Receivables	**215,916**	177,138
Restricted cash - notes payable reserves	**126,495**	125,189
Prepaid expenses	**46,139**	23,842
Property and equipment, net	**5,174,228**	3,438,835
Deposits	**71,678**	18,978
Total assets	**$ 6,567,434**	$ 4,409,768

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,		**2020**		2019
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	**$**	**76,702**	$	34,429
Notes payable, net of unamortized loan fees and unamortized discount		**1,540,425**		888,412
Total liabilities		**1,617,127**		922,841
Net assets:				
Without donor restrictions:				
Undesignated		**1,092,372**		1,142,983
Board-designated		**50,000**		50,000
Total net assets without donor restrictions		**1,142,372**		1,192,983
With donor restrictions:				
Purpose and time restricted		**3,805,859**		2,291,869
Permanently restricted		**2,076**		2,075
Total net assets with donor restrictions		**3,807,935**		2,293,944
Total net assets		**4,950,307**		3,486,927
Total liabilities and net assets	**$**	**6,567,434**	$	4,409,768

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,	**2020**			2019		
	Without donor restrictions	**With donor restrictons**	**Total**	Without donor restrictions	With donor restrictons	Total
Revenue, support and gains:						
Government grants and contracts:						
Illinois Department of Human Services	**$ 765,902**		**$ 765,902**	$ 739,462		$ 739,462
U.S. Department of Housing and Urban Development	**569,896**		**569,896**	461,031		461,031
Managed care organizations	**417,900**		**417,900**	334,650		334,650
Grants and contributions	**652,769**	**$ 65,000**	**717,769**	544,392	$ 15,000	559,392
Loan discount		**1,548,984**	**1,548,984**		1,471,109	1,471,109
Participation fees	**193,946**		**193,946**	188,482		188,482
Special event, net of direct benefit to donors of $23,000 for the year ended June 30, 2019				123,310		123,310
Net investment income	**5,979**		**5,979**	6,552		6,552
Other income	**39,929**	**1**	**39,930**	23,525	3	23,528
Net assets released from restrictions	**99,994**	**(99,994)**		711,218	(711,218)	
Total revenue, support and gains	**2,746,315**	**1,513,991**	**4,260,306**	3,132,622	774,894	3,907,516
Expenses:						
Program services	**2,183,578**		**2,183,578**	2,390,280		2,390,280
Management and general	**494,930**		**494,930**	392,406		392,406
Fundraising	**118,418**		**118,418**	120,295		120,295
Total expenses	**2,796,926**		**2,796,926**	2,902,981		2,902,981
Change in net assets	**(50,611)**	**1,513,991**	**1,463,380**	229,641	774,894	1,004,535
Net assets:						
Beginning of year	**1,192,983**	**2,293,944**	**3,486,927**	963,342	1,519,050	2,482,392
End of year	**$ 1,142,372**	**$ 3,807,935**	**$ 4,950,307**	$ 1,192,983	$ 2,293,944	$ 3,486,927

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2020	Program Services			Supporting Services		
	Support services	Building management	Total	Management and general	Fundraising	Total
Building occupancy		$ 592,448	$ 592,448	$ 5,330		$ 597,778
Contracted services	$ 52,600		52,600	51,840	$ 5,200	109,640
Depreciation and amortization	228	124,980	125,208	14,282		139,490
Insurance		6,289	6,289	20,766		27,055
Interest		71,365	71,365			71,365
Office and administrative	46,932	6,782	53,714	74,224	9,834	137,772
Participant support	29,806	3,893	33,699			33,699
Payroll and benefits	1,024,775	196,173	1,220,948	325,426	97,710	1,644,084
Special event and fundraising					3,740	3,740
Staff development and training	4,540	1,540	6,080	1,900	1,929	9,909
Travel and meetings	19,311	1,916	21,227	1,162	5	22,394
Total expenses	$ 1,178,192	$ 1,005,386	$ 2,183,578	$ 494,930	$ 118,418	$ 2,796,926

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2019	Program Services			Supporting Services			
	Support services	Building management	Total	Management and general	Fundraising	Direct benefit to donors	Total
Building occupancy		$ 372,632	$ 372,632	$ 1,091			$ 373,723
Contracted services	$ 41,400		41,400	22,749			64,149
Depreciation and amortization	37	137,111	137,148	2,342			139,490
Insurance		2,096	2,096	22,015			24,111
Interest	191	706,688	706,879	11,940			718,819
Office and administrative	39,940	5,714	45,654	57,535	$ 12,438		115,627
Participant support	19,924		19,924				19,924
Payroll and benefits	877,950	146,377	1,024,327	272,332	89,860		1,386,519
Special event and fundraising					17,508	$ 23,000	40,508
Staff development and training	12,517	1,318	13,835	1,660	486		15,981
Travel and meetings	24,661	1,724	26,385	742	3		27,130
Total expenses	1,016,620	1,373,660	2,390,280	392,406	120,295	23,000	2,925,981
Less expenses included with revenue, support and gains on the consolidated statements of activities						(23,000)	(23,000)
Total expenses included in the expenses section on the consolidated statements of activities	$ 1,016,620	$ 1,373,660	$ 2,390,280	$ 392,406	$ 120,295	$ -	$ 2,902,981

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,	**2020**	2019
Cash flows from operating activities:		
Change in net assets	**$ 1,463,380**	$ 1,004,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loan discount	**(1,548,984)**	(1,471,109)
Depreciation and amortization	**139,490**	139,490
Amortization of loan discount	**71,365**	711,218
Net realized and unrealized gains	**(2,601)**	(3,366)
Donated stock	**(3,370)**	(6,221)
Increase in operating assets:		
Receivables	**(38,778)**	(51,392)
Prepaid expenses	**(22,297)**	(9,691)
Deposits	**(52,700)**	(16,589)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**42,273**	(31,719)
Net cash provided by operating activities	**47,778**	265,156
Cash flows from investing activities:		
Purchase of investments	**(153,877)**	(44,194)
Purchase of property and equipment	**(710)**	(1,631)
Proceeds from sale of investments		47,324
Net cash provided by (used in) investing activities	**(154,587)**	1,499

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	**2020**	2019
Cash flows from financing activities:		
Proceeds from notes payable	**$ 255,459**	$ 103,910
Repayments of notes payable		(13,027)
Net cash provided by financing activities	**255,459**	90,883
Net increase in cash and restricted cash	**148,650**	357,538
Cash and restricted cash, beginning of year	**584,375**	226,837
Cash and restricted cash, end of year	**$ 733,025**	$ 584,375
Supplemental disclosure of cash flow information:		
Interest paid during the year		$ 7,601
Supplemental disclosures of non-cash investing and financing activities:		
Proceeds from notes payable used for:		
Repayments of notes payable		$ 1,820,637
Purchase of property and equipment	**$ 1,874,173**	158,307
Loan fees	**16,875**	52,500
Total	**$ 1,891,048**	$ 2,031,444
Reconciliation of cash and restricted cash within the consolidated statements of financial position to the consolidated statements of cash flows:		
Cash	**$ 606,530**	$ 459,186
Restricted cash - notes payable reserves	**126,495**	125,189
Total cash and restricted cash	**$ 733,025**	$ 584,375

See notes to consolidated financial statements.

1. Organization and purpose

Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners (Housing Options) is a nonprofit organization whose 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.

Housing Options' wholly-owned subsidiary, Impact Apartments LLC, was formed during the year ended June 30, 2019 as required by the Illinois Housing Development Authority for Housing Options' building rehabilitation project (Note 9).

2. Summary of significant accounting policies

The significant accounting policies of the Organization are summarized below:

Basis of accounting:

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

Principles of consolidation:

The consolidated financial statements include the accounts of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Impact Apartments LLC. All material inter-organizational transactions and balances have been eliminated. Together both entities are referred to as the Organization.

Adoption of new accounting standards:

Effective July 1, 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents and any internal transfers between cash, cash equivalents, restricted cash and restricted cash equivalents are no longer presented in the consolidated statements of cash flows. This standard has been applied retrospectively to all periods presented. The Organization has adjusted and restated the presentation in the consolidated statements of cash flows accordingly.

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards: (continued)

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the consolidated financial statements of the Organization.

Basis of presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> **Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor restrictions. Voluntary resolutions by the Board of Directors to designate a portion of the Organization's net assets without donor restrictions 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 "net assets without donor restrictions". Board-designated net assets include assets over which the Board of Directors retains control and may subsequently use for other purposes (see Note 10).
>
> **Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

2. Summary of significant accounting policies (continued)

Receivables:

Receivables are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. The Organization provides for losses using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected. Management has determined that receivables are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2020 and 2019.

Conditional promises to give:

Conditional promises to give are not included as support until the conditions are substantially met. Funds received in advance of the conditions being met are recorded as refundable advances; and will subsequently be recorded as revenue when donor conditions are met.

Investments:

Investments are carried at fair value. Realized and unrealized gains and losses and other investment income less direct internal and external investment expenses are reflected in the consolidated statements of activities as net investment income.

Property and equipment and related depreciation and amortization:

All acquisitions of property and equipment in excess of $1,000 and all expenditures for 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.

2. Summary of significant accounting policies (continued)

Property and equipment and related depreciation and amortization: (continued)

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

The carrying values of long-lived assets are evaluated for impairment when indicators of impairment are present and undiscounted cash flow estimated to be generated by the Organization’s property and equipment is less than the carrying amount of such assets. The amount of the impairment loss, if any, is determined by comparing the carrying amount of the Organization’s property and equipment to its estimated fair value. No impairment losses have been recognized for the years ended June 30, 2020 and 2019.

Notes payable:

Notes payable with below-market interest rates are discounted to present value using market rates effective at the inception of the note. The discount is recognized as restricted contribution revenue in the year the note is issued. The discount is amortized to expense over the term of the loan using the effective interest method. Costs incurred to obtain notes payable are capitalized and amortized over the life of the notes payable. Unamortized costs are reported in the consolidated statements of financial position as a direct deduction from the face amount of the notes payable. Amortization of costs is reported as interest expense.

2. Summary of significant accounting policies (continued)

Revenue and support:

Contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support with donor restrictions is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The Organization reports contributions with donor restrictions for which restrictions are met in the same reporting period as contributions without donor restrictions.

Government grants and contracts, managed care organizations, and participation fees revenue is recognized when earned, which is generally when qualifying expenses have been incurred, contract services have been provided and other requirements have been met.

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. During the years ended June 30, 2020 and 2019, the Organization was the recipient of the following contributed goods and services:

Year ended June 30, 2020	Program services	Fundraising	Total
Contracted services	$ 36,820	$ 3,269	$ 40,089
Participant support	6,755		6,755
Total	$ 43,575	$ 3,269	$ 46,844

2. Summary of significant accounting policies (continued)

Donated goods and services: (continued)

Year ended June 30, 2019	Program services	Fundraising	Total
Building occupancy	$ 3,305		$ 3,305
Contracted services	28,980		28,980
Total	$ 32,285		$ 32,285

Functional expenses:

The costs of providing program activities and related supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses directly identifiable with a functional area are charged to that area.

Expenses that affect more than one area are allocated by the following methods:

- Building occupancy: based on square footage utilized by staff working in each program area,
- Office and administrative: based on the number of full time employees employed by each program, and
- Payroll and benefits: based on time and effort incurred by personnel from each program.

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.

Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management has evaluated subsequent events through December 16, 2020, the date the consolidated financial statements were available to be issued.

In July 2020, the Organization purchased land in Skokie, Illinois for $700,000, partially financed with a $400,000 mortgage loan, with the remainder paid in cash. The Organization intends to construct a multi-unit apartment building on the property. The project is contingent upon financing from the Illinois Housing Development Authority for which the Organization will formally apply during the year ending June 30, 2021. If successful, construction is expected to begin during the year ending June 30, 2022.

3. COVID-19

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measure, such as travel and business restrictions, temporary store closures, wide-sweeping quarantines, and stay-at-home work orders. As a result, COVID-19 and the related restrictive measures has had a significant adverse impact upon many sectors of the economy.

The Organization's programs, operations and primary revenue streams have not been materially interrupted by COVID-19. However, the Organization did have to cancel its annual fundraising event. The Organization believes that the ultimate impact of COVID-19 on programs, operations and revenue is likely to be determined by factors which are uncertain, unpredictable and outside of the Organization's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Organization.

4. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures within one year:

June 30,	2020	2019
Financial assets at year-end:		
Cash	**$ 606,530**	$ 459,186
Receivables	**215,916**	177,138
Investments	**326,448**	166,600
Total financial assets	**1,148,894**	802,924
Less amounts not available to be used within one year:		
Board-designated cash	**(50,000)**	(50,000)
Time and purpose restricted cash	**(5,000)**	(10,000)
Endowment fund cash	**(2,076)**	(2,075)
Total amounts not available to be used within one year	**(57,076)**	(62,075)
Financial assets available to meet general expenditures within one year	**$ 1,091,818**	$ 740,849

The sources of the Organization's liquidity consist of cash, receivables and investments. The Organization's $50,000 of Board-designated net assets held in cash can be used within one year with approval by the Board of Directors.

4. Liquidity and availability (continued)

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operate within a prudent range of financial soundness and stability,
- Maintain adequate liquid assets, and
- Maintain sufficient reserves to provide reasonable assurance that long-term obligations will continue to be met, ensuring the sustainability of the Organization.

The Organization's Finance and Audit committee meets at least quarterly to review cash management and liquidity to ensure that the guiding principles are monitored.

5. Cash

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. Cash in excess of federally-insured limits totaled approximately $351,000 and $223,500 as of June 30, 2020 and 2019, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

6. Receivables

Receivables are as follows:

June 30,	**2020**	2019
Government grants and contracts	**$ 113,551**	$ 40,851
Managed care organizations	**58,133**	76,317
Grants and contributions	**20,347**	19,900
Participation fees	**22,285**	19,099
Other	**1,600**	20,971
Total	**$ 215,916**	$ 177,138

7. Investments

The Organization reports its investments in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Investments carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the investment occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the investment.

The Organization's investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements under the fair value hierarchy).

The following is a summary of investments at fair value:

June 30,	**2020**	2019
Money market funds	**$ 258,184**	$ 102,471
Equity funds	**68,264**	64,129
Total	**$ 326,448**	$ 166,600

8. Property and equipment

The following is a summary of property and equipment:

June 30,	**2020**	2019
Land	**$ 496,684**	$ 496,684
Buildings and building improvements	**6,379,859**	4,305,952
Leasehold improvements	**34,097**	34,097
Furniture, equipment and vehicles	**114,143**	113,433
	7,024,783	4,950,166
Less accumulated depreciation and amortization	**1,850,555**	1,711,065
	5,174,228	3,239,101
Construction in process		199,734
Property and equipment, net	**$ 5,174,228**	$ 3,438,835

Depreciation and amortization expense was $139,490 for each of the years ended June 30, 2020 and 2019.

9. Notes payable

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

June 30,			2020				2019			
	Rate	Due	**Principal balance**	**Unamortized discount**	**Unamortized loan fees**	**Principal balance less unamortized discount and loan fees**	Principal balance	Unamortized discount	Unamortized loan fees	Principal balance less unamortized discount and loan fees
ILLINOIS HOUSING DEVELOPMENT AUTHORITY:										
Mortgage note collateralized by all Organization properties and assignment of rents and leases. Monthly principal payments of $2,083 starting August 1, 2020, with balloon principal payment at maturity. The note cannot be repaid before maturity without written consent of the payee. Default interest at 5% and principal may be payable due to non-compliance with provisions of the agreements with the Illinois Housing Development Authority. Discount is based on imputed interest rate of 5.00%.	0.00%	August 1, 2050	**$ 4,099,562**	**$ 2,964,865**	**$ 69,375**	**$ 1,065,322**	$ 2,135,354	$ 1,471,109	$ 52,500	$ 611,745
CITY OF EVANSTON:										
Note payable collateralized by a junior mortgage (subordinated to the note payable to Illinois Housing Development Authority described above) 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**	**165,974**		**292,803**	458,777	182,110		276,667
U.S. SMALL BUSINESS ADMINISTRATION:										
Paycheck Protection Program	1.00%	April 2022	**182,300**			**182,300**				
			$ 4,740,639	**$ 3,130,839**	**$ 69,375**	**$ 1,540,425**	$ 2,594,131	$ 1,653,219	$ 52,500	$ 888,412

9. Notes payable (continued)

Illinois Housing Development Authority:

The Organization has a loan from the Illinois Housing Development Authority (IHDA) as part of a building rehabilitation project. Loan proceeds were used for principal payments on existing notes payable, construction costs, loan fees, loan reserves, and other project costs. At June 30, 2020, the Organization has drawn down $4,099,562 of $4,224,799 available under the loan. The Organization will draw down the remaining funds during the year ending June 30, 2021 for reimbursement of participant relocation costs during construction.

The loan requires the Organization to fund the following reserve accounts: replacement reserve account, tax and insurance reserve account, and initial operating reserve account. Loan reserves are held by the IHDA and may be used by the Organization at the discretion of the IHDA for repairs, real estate taxes and insurance, and operating deficits. Initial funding of the loan reserves was made at loan closing. At the discretion of the IHDA, the Organization may be required to fund the replacement reserve account with monthly payments of $900. 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 IHDA 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 requires no additional payments subsequent to initial funding.

U.S. Small Business Administration Paycheck Protection Program:

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. PPP funds can be used for payroll costs, mortgage interest, rent, and utilities. The Organization applied for and received $182,300 in April 2020. The loan bears an annual interest rate of 1% and matures in April 2022. It is the Organization's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

9. Notes payable (continued)

U.S. Small Business Administration Paycheck Protection Program: (continued)

The Organization has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Organization until such time that the Organization's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Organization will recognize revenue to the extent of the amount forgiven. The Organization has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end the 24-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender.

Future principal payments on all outstanding loan obligations, assuming no forgiveness on the PPP loan, is as follows:

Year ending June 30:	Principal
2021	$ 22,913
2022	207,296
2023	24,996
2024	24,996
2025	24,996
Thereafter	4,435,442
Total	$ 4,740,639

At June 30, 2020 and 2019, the Organization had a $100,000 line of credit. The line of credit expired in October 2020. Interest charged on advances on the line of credit were at the prime rate of interest (3.25% and 5.50% at June 30, 2020 and 2019, respectively). The line of credit was collateralized by substantially all business assets. There was no balance outstanding on the line of credit at June 30, 2020 and 2019.

9. Notes payable (continued)

Total interest expense, including amortization of loan discount classified as interest, is as follows:

Years ended June 30,	**2020**	2019
Interest expense		$ 7,601
Amortization of loan discount	**$ 71,365**	711,218
Total	**$ 71,365**	$ 718,819

10. Designation of net assets without donor restrictions

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 net assets without donor restrictions to ensure adequate financing of such improvements. As of June 30, 2020 and 2019, the Board has designated $50,000 of net assets without donor restrictions for future property improvements.

11. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

June 30,	**2020**	2019
Purpose and time restricted:		
Client assistance	**$ 10,000**	$ 15,000
Acquisition of property and equipment:		
Recapture agreements	**623,650**	623,650
Unamortized loan discount	**3,130,839**	1,653,219
Housing stability specialist	**41,370**	
Permanently restricted:		
Endowment fund	**2,076**	2,075
Total net assets with donor restrictions	**$ 3,807,935**	$ 2,293,944

11. Net assets with donor restrictions (continued)

Net assets with donor restrictions were released from donor restrictions as follows:

Years ended June 30,	**2020**	2019
Purpose and time restricted:		
Client assistance	**$ 5,000**	
Housing stability specialist	**23,629**	
Amortization of loan discount	**71,365**	$ 711,218
Total net assets released from restrictions	**$ 99,994**	$ 711,218

12. 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, 2020 and 2019, 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 $19,380 and $16,901 for the years ended June 30, 2020 and 2019, respectively.

13. Leases

The Organization leased office space under a lease agreement that expired on September 30, 2020. In September 2020, the Organization signed a new lease expiring on October 31, 2023 for office space at a different location. Both leases require payments of base rent only.

In furtherance of its mission, the Organization occupies various scattered site apartment rentals under short-term leases.

13. Leases (continued)

Future minimum rental payments are as follows:

Year ending June 30:	Office	Scattered site apartment rentals	Amount
2021	$ 30,086	$ 289,000	$ 319,086
2022	30,000		30,000
2023	30,000		30,000
2024	10,000		10,000
Total	$ 100,086	$ 289,000	$ 389,086

Total rent expense was $325,918 and $252,455 for the years ended June 30, 2020 and 2019, respectively.

14. Concentration of revenue

Approximately 32% and 31% of the Organization's total revenue for the years ended June 30, 2020 and 2019, respectively, is provided from grants from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services. Additionally, approximately 53% and 23% of the Organization's receivables at June 30, 2020 and 2019, respectively, are from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

15. Conditional grant

During the year ended June 30, 2019, the Organization received a conditional grant of $1,456,175 to provide rental assistance subsidies for eligible units in the Organization's buildings. No grant funds were received during the year ended June 30, 2019. During the year ended June 30, 2020, the Organization met grant conditions and recognized $17,832 of revenue. During the year ended June 30, 2019, the Organization did not meet grant conditions and did not recognize revenue. The Organization expects to meet grant conditions and recognize the remaining conditional grant of $1,438,343 at June 30, 2020 as revenue in future years.

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

CONSOLIDATED SCHEDULES OF CHANGE IN NET ASSETS BEFORE AND AFTER DEPRECIATION AND AMORTIZATION AND INTEREST EXPENSE (AMORTIZATION OF LOAN DISCOUNT)

Years ended June 30,	**2020**	2019
Total revenue, support and gains	**$ 4,260,306**	$ 3,907,516
Total expenses before depreciation and amortization and interest expense (amortization of loan discount)	**2,586,071**	2,052,273
Change in net assets before depreciation and amortization and interest expense (amortization of loan discount)	**1,674,235**	1,855,243
Depreciation and amortization expense	**139,490**	139,490
Interest expense (amortization of loan discount)	**71,365**	711,218
Change in net assets	**$ 1,463,380**	$ 1,004,535

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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 and Subsidiary

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 consolidated financial statements of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, 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, and have issued our report thereon dated December 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 16, 2020
Chicago, IL