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

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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

YEAR ENDED JUNE 30, 2021

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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 Subsidiaries

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 Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 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.

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 Subsidiaries as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Report on Consolidated Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplementary information on page 26 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 15, 2021, 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 solely 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 15, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021		
ASSETS		
Cash	$	423,867
Investments		663,606
Accounts receivable		219,730
Restricted cash - notes payable reserves		126,517
Prepaid expenses		59,831
Property and equipment, net		5,775,864
Deposits		45,625
Total assets	$	7,315,040

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2021	
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 115,969
Notes payable, net of unamortized loan fees and unamortized discount	1,914,214
Total liabilities	2,030,183
Net assets:	
Without donor restrictions:	
Undesignated	1,144,650
Board-designated	50,000
Total net assets without donor restrictions	1,194,650
With donor restrictions:	
Purpose and time restricted	4,088,130
Permanently restricted	2,077
Total net assets with donor restrictions	4,090,207
Total net assets	5,284,857
Total liabilities and net assets	$ 7,315,040

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021	Without donor restrictions	With donor restrictons	Total
Revenue, support and gains:			
Grants and contributions	$ 687,219	$ 405,000	$ 1,092,219
Government grants	788,450		788,450
Clinical services	601,161		601,161
Employment services	393,290		393,290
Participant rental income	152,480		152,480
Net investment income	30,503		30,503
Paycheck Protection Program loan forgiveness of debt	182,300		182,300
Other income	17,289	1	17,290
Net assets released from restrictions	122,729	(122,729)	
Total revenue, support and gains	2,975,421	282,272	3,257,693
Expenses:			
Program services	2,313,439		2,313,439
Management and general	491,970		491,970
Fundraising	117,734		117,734
Total expenses	2,923,143		2,923,143
Change in net assets	52,278	282,272	334,550
Net assets:			
Beginning of year	1,142,372	3,807,935	4,950,307
End of year	$ 1,194,650	$ 4,090,207	$ 5,284,857

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021	Program Services			Supporting Services		
	Support services	Building management	Total	Management and general	Fundraising	Total
Building occupancy	$ 810	$ 494,392	$ 495,202	$ 13,935	$ 108	$ 509,245
Depreciation and amortization		274,850	274,850	10,875		285,725
Insurance				21,638		21,638
Interest		69,976	69,976			69,976
Office and administrative	78,535	15,334	93,869	71,870	24,086	189,825
Participant support	50,402	9,278	59,680	33		59,713
Payroll and benefits	1,056,270	206,137	1,262,407	335,516	93,540	1,691,463
Professional fees	56,967	488	57,455	38,103		95,558
Total expenses	$ 1,242,984	$ 1,070,455	$ 2,313,439	$ 491,970	$ 117,734	$ 2,923,143

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2021	
Cash flows from operating activities:	
Change in net assets	$ 334,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	285,725
Amortization of loan discount and loan fees	69,976
Net realized and unrealized gains	(29,131)
Donated stock	(6,656)
Paycheck Protection Program loan forgiveness of debt	(182,300)
Increase in operating assets:	
Accounts receivable	(3,814)
Prepaid expenses	(13,692)
Deposits	(8,947)
Increase in operating liabilities:	
Accounts payable and accrued expenses	39,267
Net cash provided by operating activities	484,978
Cash flows from investing activities:	
Purchase of investments	(301,371)
Purchase of property and equipment	(441,021)
Net cash used in investing activities	(742,392)

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2021		
Cash flows from financing activity:		
Proceeds from notes payable	$	74,773
Net cash provided by financing activity		74,773
Net decrease in cash and restricted cash		(182,641)
Cash and restricted cash, beginning of year		733,025
Cash and restricted cash, end of year	$	550,384
Supplemental disclosure of non-cash investing and financing activity:		
Purchases of property and equipment with notes payable	$	411,340
Reconciliation of cash and restricted cash within the consolidated statement of financial position to the consolidated statement of cash flows:		
Cash	$	423,867
Restricted cash - notes payable reserves		126,517
Total cash and restricted cash shown on the consolidated statement of cash flows	$	550,384

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 subsidiaries, Impact Apartments LLC and Impact Floral LLC are holding entities required for Illinois Housing Development Authority funded projects.

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, Impact Apartments LLC and Impact Floral LLC. All material inter-organizational transactions and balances have been eliminated. Together all entities are referred to as the Organization.

Adoption of new accounting standard:

Effective July 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Organization recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five step approach for the recognition of revenue. The Organization implemented this standard using the modified retrospective method. The adoption of this standard did not materially impact the consolidated financial statements of the Organization.

2. Summary of significant accounting policies (continued)

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.
>
> **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.

Board-designated 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 net assets without donor restrictions to ensure adequate financing of such improvements. As of June 30, 2021, the Board has designated $50,000 of net assets without donor restrictions for future property improvements.

Investments:

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

2. Summary of significant accounting policies (continued)

Accounts receivable:

Accounts receivable consist of grants, contributions, participant rent receivables, and other amounts due from governmental agencies, third-party payors, participants and donors. Accounts receivable are generally collectible within one year. The Organization estimates an allowance for doubtful accounts based on an analysis of specific account history, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected. An allowance for uncollectible accounts is not considered necessary and is not provided as of June 30, 2021.

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.

Property and equipment:

Property and equipment is stated at cost, if purchased, or at fair value at the date of donation, if donated. Replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

Depreciation and amortization are computed on a straight-line basis as follows:

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

Management reviews the carrying values of property and equipment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

2. Summary of significant accounting policies (continued)

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 contribution is considered a donor-restricted contribution because of the time element of the loan. The discount is amortized to expense over the term of the loan using the effective interest rate method. A corresponding reclassification between net assets with donor restrictions and net assets without donor restrictions for an amount equal to the imputed interest expense is recognized as well. Costs incurred to obtain notes payable are capitalized and amortized over the life of the notes payable. Unamortized costs are reported in the consolidated statement of financial position as a direct deduction from the face amount of the notes payable. Amortization of costs is reported as interest expense.

Grants and contributions:

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 statement 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.

The Organization receives funding under grants from various federal, state and local government agencies. These revenues are accounted for as conditional promises to give and are recognized as revenue when the barriers have been substantially met. Generally, the barriers are met when qualifying expenses have been incurred or services have been delivered and other grant requirements have been met.

2. Summary of significant accounting policies (continued)

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 Organization was the recipient of the contracted services totaling $28,330, which is included in grants and contributions in the consolidated statement of activities and program services in the consolidated statement of functional expenses for the year ended June 30, 2021.

Government grants:

The Organization receives grants from the Illinois Department of Human Services (IDHS) and the U.S. Department of Housing and Urban Development (HUD) in support of their housing services program. The Organization recognizes grant revenue when an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional expenses:

The costs of providing program activities and related supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents 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.

2. Summary of significant accounting policies (continued)

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, 2021.

Use of estimates:

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 15, 2021, the date the consolidated financial statements were available to be issued.

3. Revenue from contracts with customers

Clinical services:

The Organization provides Medicaid-funded clinical support services to qualifying individuals in the greater Chicago metropolitan area. Revenue is recognized at a point in time when services are performed and the Organization has no obligation to provide further services. Performance obligations are generally satisfied the same day and revenue is recognized on the date of service. Services are generally provided on an hourly basis and billed to the IDHS or Medicaid Managed Care Organizations (MCOs) at an hourly rate.

3. Revenue from contracts with customers (continued)

Employment services:

The Organization has contracts with the IDHS to provide supportive employment services to individuals with various disabilities to assist in obtaining and maintaining community-based, competitive employment. The Organization recognizes revenue for their services at a point in time when performance obligations are met. Performance obligations under the contract include continuous employment for 15, 45 and 90 days of employment. In completion of these performance obligations, the Organization provides a variety of services with the goal of achieving stable employment at competitive compensation rates. Services include, but are not limited to, assessments and evaluations of job readiness, specialized training, and various job seeking skills, including communication, interviewing, etc. Additionally, the Organization provides job retention services, including observation and monitoring, on-the-job training, coaching and follow-up services to ensure job stability and job performance.

Significant judgments by management over employment services include determination of performance obligations under the contract and determination of timing of revenue recognition.

Accounts receivable related to revenue from contracts with customers are $120,957 and $155,840 at June 30, 2021 and 2020, respectively. There were no contract assets or contract liabilities as of June 30, 2021 and 2020.

4. COVID-19

The Organization's programs, operations and primary revenue streams have not been significantly interrupted by COVID-19. Management successfully moved to working predominantly remotely and the Organization was able to expand the reach of their clinical services through the use of a telehealth platform. The Organization is closely monitoring the impact of COVID-19 on program services, including the impact on participants and employees. The extent to which the COVID-19 pandemic continues to impact the Organization's future operations and financial condition will depend on future developments, which are highly uncertain and cannot be reasonably estimated.

5. Liquidity and availability

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

June 30, 2021	
Financial assets at year-end:	
Cash	$ 423,867
Investments	663,606
Accounts receivable	219,730
Total financial assets	1,307,203
Less amounts not available to be used within one year:	
Board-designated cash	(50,000)
Endowment fund cash	(2,077)
Total amounts not available to be used within one year	(52,077)
Financial assets available for general expenditures within one year	$ 1,255,126

The sources of the Organization's liquidity consist of cash, investments, and accounts receivable. 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.

5. Liquidity and availability (continued)

The Organization manages its cash available for 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.

6. 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 $188,000 as of June 30, 2021. Management believes that the Organization is not exposed to any significant credit risk on cash.

7. Accounts receivable

Accounts receivable are comprised of the following:

June 30, 2021		
Grants and contributions	$	66,104
Government grants		21,801
Clinical services		63,027
Employment services		57,930
Participant rental income		10,868
Total	$	219,730

8. Investments

The Organization reports the fair value of its investments in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

There are three levels of inputs used to measure fair value. The definition of each input is described below:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

Mutual funds are reported at fair value based on quoted prices in active markets.

The following is a summary of investments at fair value:

June 30, 2021	Level 1	Total
Money market mutual fund	$ 565,080	$ 565,080
Stock market index mutual fund	98,526	98,526
Total investments at fair value	$ 663,606	$ 663,606

9. Property and equipment

The following is a summary of property and equipment:

June 30, 2021	
Land	$ 1,200,230
Buildings and building improvements	6,394,010
Leasehold improvements	34,097
Furniture, equipment and vehicles	118,108
	7,746,445
Less accumulated depreciation and amortization	2,136,280
	5,610,165
Construction in process	165,699
Property and equipment, net	$ 5,775,864

10. Notes payable

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

June 30, 2021	Rate	Due	Principal balance	Unamortized discount	Unamortized loan fees	Principal balance less unamortized discount and loan fees
(A) Mortgage note collateralized by the Organization's properties and assignment of rents and leases. Monthly principal payments of $2,083 starting January 1, 2022, with balloon principal payment at maturity. The note cannot be repaid before maturity without written consent of the lender. Default interest at 5% and principal may be payable due to non-compliance with provisions of the agreements with the lender. Discount is based on imputed interest rate of 5.00%.	0.00%	August 1, 2050	$ 4,185,675	$ 2,910,895	$ 68,349	$ 1,206,431
(B) Note payable collateralized by a junior mortgage (subordinated to Note (A)) 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 lender. Discount is based on imputed interest rate of 5.00%.	0.00%	June 30, 2029	458,777	150,994		307,783
(C) Mortgage note collateralized by the Organization's property and assignment of rents. Monthly payments are not required. Principal plus accrued interest is due at the earlier of the maturity date or sale of the property collateralizing the mortgage note. The note can be prepaid in whole or in part at any time without prepayment penalty or premium.	6.00%	December 31, 2021	400,000			400,000
Totals			$ 5,044,452	$ 3,061,889	$ 68,349	$ 1,914,214

10. Notes payable (continued)

Note (A):

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, 2021, the Organization has drawn down $4,185,675 of the $4,224,799 available under the loan.

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 PPP loan bears an annual interest rate of 1% and matures in April 2022. 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. In March 2021, the Organization received forgiveness of the entire PPP loan balance. The loan forgiveness of $182,300 is recorded as forgiveness of debt revenue in the consolidated statement of activities.

10. Notes payable (continued)

At June 30, 2021, the Organization has a $100,000 line of credit maturing on October 7, 2022. Interest charged on advances on the line of credit are at the Prime rate of interest (3.25% at June 30, 2021). The line of credit is collateralized by substantially all business assets. There was no balance outstanding on the line of credit at June 30, 2021.

Future minimum principal payments are as follows:

Year ending June 30:	Principal
2022	$ 412,500
2023	25,000
2024	25,000
2025	25,000
2026	25,000
Thereafter	4,531,952
Total	$ 5,044,452

11. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

June 30, 2021	
Purpose and time restricted:	
Client assistance	$ 5,000
Acquisition of property and equipment:	
Recapture agreements	623,650
Unamortized loan discount	3,061,889
Affordable housing	340,000
Housing stability specialist	57,591
Permanently restricted:	
Endowment fund	2,077
Total net assets with donor restrictions	$ 4,090,207

11. Net assets with donor restrictions (continued)

The Organization has received grants from Federal government agencies in prior years for the purchase and rehabilitation of the Organization's buildings. The grants are subject to recapture agreements requiring the return of grant funds if the Organization no longer conducts its housing programs in the buildings during a specified period. The recapture agreements expire at various dates through June 2035.

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

Year ended June 30, 2021		
Purpose and time restricted:		
Client assistance	$	5,000
Housing stability specialist		48,779
Amortization of loan discount		68,950
Total net assets released from restrictions	$	122,729

12. Retirement plan

The Organization sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (the Code) for eligible employees. All employees are eligible upon hiring and are fully vested immediately. The plan provides for discretionary contributions. During the year ended June 30, 2021, 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 $20,239 for the year ended June 30, 2021.

13. Leases

The Organization leases office space under a lease agreement expiring on October 31, 2023. The lease requires 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	Total
2022	$ 30,000	$ 314,000	$ 344,000
2023	30,000		30,000
2024	10,000		10,000
Total	$ 70,000	$ 314,000	$ 384,000

Total rent expense was $354,205 for the year ended June 30, 2021.

14. Conditional grant

The Organization has a conditional grant of $1,456,175 to provide rental assistance subsidies for eligible units in the Organization's buildings. During the year ended June 30, 2021, the Organization met grant conditions and recognized $17,832 of revenue included in grants and contributions in the consolidated statement of activities. The Organization expects to meet grant conditions and recognize the remaining conditional grant of $1,420,511 at June 30, 2021 as revenue in future years. The conditional grant expires in September 2034.

15. Concentration of revenue and accounts receivable

Approximately 42% of the Organization's total revenue for the year ended June 30, 2021 is provided from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services. Additionally, approximately 44% of the Organization's receivables at June 30, 2021 are from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

15. Concentration of revenue and accounts receivable (continued)

The following table summarizes the Organization's revenue from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services:

Year ended June 30, 2021		
U.S. Department of Housing and Urban Development	$	589,161
Illinois Department of Human Services		763,901
Total	$	1,353,062

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

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

Year ended June 30, 2021	
Total revenue, support and gains	$ 3,257,693
Total expenses before depreciation and amortization and interest expense (amortization of loan discount and loan fees)	2,567,442
Change in net assets before depreciation and amortization and interest expense (amortization of loan discount and loan fees)	690,251
Depreciation and amortization expense	285,725
Interest expense (amortization of loan discount and loan fees)	69,976
Change in net assets	$ 334,550

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 Subsidiaries

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 Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, 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 15, 2021.

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) as a basis for designing 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 consolidated financial statements. 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.

Chicago, IL
December 15, 2021