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

YEARS ENDED JUNE 30, 2022 AND 2021

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

YEARS ENDED JUNE 30, 2022 AND 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 Audit of the Financial Statements

Opinion

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 and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 28 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 consolidated supplementary 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 14, 2022 on our consideration of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' 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 Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' 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 Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

December 14, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	**2022**	2021
ASSETS		
Cash	**$ 501,321**	$ 423,867
Investments	**741,841**	663,606
Accounts receivable	**451,856**	219,730
Restricted cash - notes payable reserves	**240,093**	126,517
Prepaid expenses	**55,424**	59,831
Property and equipment, net	**5,633,700**	5,610,165
Construction in progress	**667,243**	165,699
Deposits	**46,180**	45,625
Total assets	**$ 8,337,658**	$ 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 STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	**2022**	2021
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 93,368**	$ 115,969
Notes payable, net of unamortized loan fees and unamortized discount	**1,753,403**	1,914,214
Total liabilities	**1,846,771**	2,030,183
Net assets:		
Without donor restrictions:		
Undesignated	**2,088,230**	1,144,650
Board-designated		50,000
Total net assets without donor restrictions	**2,088,230**	1,194,650
With donor restrictions:		
Purpose and time restricted	**4,400,579**	4,088,130
Permanently restricted	**2,078**	2,077
Total net assets with donor restrictions	**4,402,657**	4,090,207
Total net assets	**6,490,887**	5,284,857
Total liabilities and net assets	**$ 8,337,658**	$ 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 STATEMENTS OF ACTIVITIES

Years ended June 30,	2022			2021		
	Without donor restrictions	**With donor restrictons**	**Total**	Without donor restrictions	With donor restrictons	Total
Revenue, support and gains:						
Grants and contributions	**$ 1,118,073**	**$ 116,500**	**$ 1,234,573**	$ 676,721	$ 405,000	$ 1,081,721
Contributed goods and services	**374,680**		**374,680**	28,330		28,330
Government grants	**880,570**		**880,570**	788,450		788,450
Employment services	**734,968**		**734,968**	393,290		393,290
Clinical services	**718,926**		**718,926**	601,161		601,161
Loan discount		**682,280**	**682,280**			
Participant rental income	**143,327**		**143,327**	134,648		134,648
Net investment income (loss)	**(27,582)**		**(27,582)**	30,503		30,503
Forgiveness of debt - PPP loan				182,300		182,300
Other income	**4,422**	**1**	**4,423**	17,289	1	17,290
Net assets released from restrictions	**486,331**	**(486,331)**		122,729	(122,729)	
Total revenue, support and gains	**4,433,715**	**312,450**	**4,746,165**	2,975,421	282,272	3,257,693
Expenses:						
Program services	**2,786,276**		**2,786,276**	2,313,439		2,313,439
Supporting services:						
Management and general	**535,594**		**535,594**	491,970		491,970
Fundraising	**218,265**		**218,265**	117,734		117,734
Total expenses	**3,540,135**		**3,540,135**	2,923,143		2,923,143
Change in net assets	**893,580**	**312,450**	**1,206,030**	52,278	282,272	334,550
Net assets:						
Beginning of year	**1,194,650**	**4,090,207**	**5,284,857**	1,142,372	3,807,935	4,950,307
End of year	**$ 2,088,230**	**$ 4,402,657**	**$ 6,490,887**	$ 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 STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2022	Program Services			Supporting Services		
	Support services	Building management	Total	Management and general	Fundraising	Total
Building occupancy	$ 110	$ 594,850	$ 594,960	$ 1,090	$ 1,115	$ 597,165
Depreciation and amortization	228	344,600	344,828	7,463		352,291
Insurance				32,379		32,379
Interest		79,146	79,146			79,146
Office and administrative	96,838	31,068	127,906	67,213	19,094	214,213
Participant support	14,667	5,891	20,558			20,558
Payroll and benefits	1,286,039	227,197	1,513,236	392,793	160,429	2,066,458
Professional fees	89,582	16,060	105,642	34,656	1,900	142,198
Special events					35,727	35,727
Total expenses	$ 1,487,464	$ 1,298,812	$ 2,786,276	$ 535,594	$ 218,265	$ 3,540,135

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 STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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 STATEMENTS OF CASH FLOWS

Years ended June 30,	**2022**	2021
Cash flows from operating activities:		
Change in net assets	**$ 1,206,030**	$ 334,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**352,291**	285,725
Loan discount	**(682,280)**	
Amortization of loan discount and loan fees	**79,146**	69,976
Net realized and unrealized (gains) losses	**30,859**	(29,131)
Donated goods	**(345,000)**	(6,656)
Donated stock	**(5,818)**	
Forgiveness of debt - PPP loan		(182,300)
(Increase) decrease in operating assets:		
Accounts receivable	**(232,126)**	(3,814)
Prepaid expenses	**4,407**	(13,692)
Deposits	**(555)**	(8,947)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**(22,601)**	39,267
Net cash provided by operating activities	**384,353**	484,978
Cash flows from investing activities:		
Purchases of investments	**(103,276)**	(301,371)
Purchases of property and equipment	**(203,449)**	(441,021)
Net cash used in investing activities	**(306,725)**	(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 STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2022	2021
Cash flows from financing activities:		
Proceeds from notes payable	**$ 563,402**	$ 74,773
Payment on notes payable	**(400,000)**	
Payment of loan fees	**(50,000)**	
Net cash provided by financing activities	**113,402**	74,773
Net increase (decrease) in cash and restricted cash	**191,030**	(182,641)
Cash and restricted cash, beginning of year	**550,384**	733,025
Cash and restricted cash, end of year	**$ 741,414**	$ 550,384
Supplemental disclosure of non-cash investing and financing activity:		
Proceeds from notes payable used for purchases of property and equipment	**$ 328,921**	$ 411,340
Reconciliation of cash and restricted cash within the consolidated statements of financial position to the consolidated statements of cash flows:		
Cash	**$ 501,321**	$ 423,867
Restricted cash - notes payable reserves	**240,093**	126,517
Total cash and restricted cash shown on the consolidated statements of cash flows	**$ 741,414**	$ 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. Housing Options' wholly-owned subsidiary, Impact Brummel LLC is a real estate holding entity.

2. Summary of significant accounting policies

Principles of consolidation:

The consolidated financial statements include the accounts of Housing Options, Impact Apartments LLC, Impact Floral LLC, and Impact Brummel LLC. All material inter-organizational transactions and balances have been eliminated. Together all entities are referred to as the Organization.

Basis of accounting:

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

Recent accounting pronouncement:

During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the Organization's consolidated financial statements.

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.
>
> 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.
>
> **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.

Investments:

Investments are reported at fair value on the consolidated statements of financial position. Net investment income (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

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, 2022 and 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 improvements	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 years ended June 30, 2022 and 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 statements 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:

The Organization recognizes grants and contributions when cash, securities or other assets, or an unconditional promise to give (pledge) is received. Funds received subject to donor restriction and spent in fulfillment of that restriction in the same fiscal year are reported as net assets 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.

Contributed goods and services:

Contributed goods are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated goods must be used. The Organization recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed.

The Organization's policy related to contributed goods is to utilize the goods to carry out the mission of the Organization. If an asset is provided that will not be used in the Organization's programs, then the asset will be sold.

2. Summary of significant accounting policies (continued)

Contributed goods and services: (continued)

During the years ended June 30, 2022 and 2021, the Organization received the following contributed goods and services:

Years ended June 30,	**2022**	2021
Building	**$ 345,000**	
Contracted psychiatric services	**29,680**	$ 28,330
Total	**$ 374,680**	$ 28,330

On December 20, 2021, a single-family home was donated to the Organization with an estimated fair market value of $345,000. There were no donor restrictions on the use of the building by the Organization. The Organization uses the home in its housing services program.

The Organization was the recipient of contracted psychiatric services at no cost for its programs. Contributed services are valued based on standard rates charged for similar services. Contracted psychiatric services are included in professional fees under program services on the consolidated statements of functional expenses for the years ended June 30, 2022 and 2021.

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.

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, 2022 and 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.

Reclassification:

Certain amounts in the consolidated statements of financial position have been reclassified in order to conform with the current year's presentation.

Subsequent events:

Management of the Organization has evaluated subsequent events through December 14, 2022, 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 Illinois Department of Human Services (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 $321,001, $120,957 and $155,840 at June 30, 2022, 2021 and 2020, respectively. There were no contract assets or contract liabilities as of June 30, 2022, 2021 and 2020.

4. Liquidity and availability

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.

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.

4. Liquidity and availability (continued)

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

June 30,		2022		2021
Financial assets:				
Cash	**$**	**501,321**	$	423,867
Investments		**741,841**		663,606
Accounts receivable		**451,856**		219,730
Restricted cash - notes payable reserves		**240,093**		126,517
Total financial assets		**1,935,111**		1,433,720
Less amounts not available to be used within one year:				
Board-designated cash				(50,000)
Endowment fund cash		**(2,078)**		(2,077)
Restricted cash - notes payable reserves		**(240,093)**		(126,517)
Total amounts not available to be used within one year		**(242,171)**		(178,594)
Financial assets available for general expenditures within one year	**$**	**1,692,940**	$	1,255,126

5. Concentration of credit risk

The Organization maintains its cash and restricted cash in bank accounts which, at times, may exceed federally-insured limits. Cash and restricted cash in excess of federally-insured limits totaled approximately $511,000 and $315,000 as of June 30, 2022 and 2021, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

6. Accounts receivable

Accounts receivable are comprised of the following:

June 30,	2022	2021
Grants and contributions	**$ 79,733**	$ 66,104
Government grants	**38,919**	21,801
Clinical services	**182,917**	63,027
Employment services	**138,084**	57,930
Participant rental income	**12,203**	10,868
Total	**$ 451,856**	$ 219,730

7. Fair value measurements

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.

7. Fair value measurements (continued)

Mutual funds and exchange-traded funds are reported at fair value based on quoted prices in active markets.

Investments consist of the following at June 30, 2022 and 2021:

June 30,		**2022**		2021
		Level 1		
Mutual funds	**$**	**627,668**	$	663,606
Exchange-traded funds		**114,173**		
Total investments at fair value	**$**	**741,841**	$	663,606

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

8. Property and equipment

The components of property and equipment are as follows:

June 30,		**2022**		2021
Land	**$**	**1,269,230**	$	1,200,230
Buildings and building improvements		**6,698,038**		6,394,010
Leasehold improvements				34,097
Furniture, equipment and vehicles		**120,906**		118,108
		8,088,174		7,746,445
Less accumulated depreciation and amortization		**2,454,474**		2,136,280
Property and equipment, net	**$**	**5,633,700**	$	5,610,165

Substantially all of the Organization's land, buildings and building improvements are pledged as collateral for the Organization's notes payable.

9. Notes payable

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

June 30,			2022				2021			
	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
Mortgage note collateralized by the Organization's properties and assignment of rents and leases. Monthly principal payments of $2,083 starting two months after the loan closing date, with balloon principal payment at maturity. The note cannot be repaid before maturity without written consent of the lender. Default interest at 5% and principal may be payable due to non-compliance with provisions of the agreements with the lender. Discount is based on imputed interest rate of 5.00%.	0.00%	March 1, 2053	**$ 4,185,675**	**$ 2,852,573**	**$ 67,277**	**$ 1,265,825**	$ 4,185,675	$ 2,910,895	$ 68,349	$ 1,206,431
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**	**135,247**		**323,530**	458,777	150,994		307,783
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 was paid in full in March 2022.	6.00%	December 31, 2021					400,000			400,000
Mortgage note collateralized by the Organization's property and assignment of rents and leases. No principal payments are due during the note term. 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 4.50%.	0.00%	June 1, 2054	**892,323**	**678,543**	**49,732**	**164,048**				
Totals			**$ 5,536,775**	**$ 3,666,363**	**$ 117,009**	**$ 1,753,403**	$ 5,044,452	$ 3,061,889	$ 68,349	$ 1,914,214

9. Notes payable (continued)

Illinois Housing Development Authority (IHDA):

The Organization has a loan from 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, 2022, 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.

The Organization has a loan from the IHDA for construction of a residential building. Loan proceeds were used to pay off an existing note payable, building construction costs, loan fees, loan reserves, and other project costs. At June 30, 2022, the Organization has drawn down $892,323 of the $3,397,811 available under the loan. The loan requires the Organization to fund the following reserve accounts: replacement reserve account, tax reserve account, insurance reserve account, and 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.

The Organization has a zero-interest loan from the IHDA in the maximum principal amount of $3,407,042 for construction of a residential building. The loan is due on April 1, 2064. No principal payments are due during the loan term. The note is collateralized by the Organization's properties and assignment of rents and leases. Once the note term is complete, and there is no uncured default, the loan will be forgiven in its entirety. There were no loan principal disbursements during the year ended June 30, 2022 and there is no balance outstanding at June 30, 2022. The Organization expects to utilize the maximum principal amount of the loan during the year ending June 30, 2023.

9. Notes payable (continued)

Cook County:

The Organization has a zero-interest loan from Cook County in the maximum principal amount of $600,000 for construction of a residential building. No principal payments are due during the thirty-year term. The maturity date of the loan is thirty years from the date of issuance of a certificate of occupancy of the residential building. The note is collateralized by a junior mortgage on the Organization's property and assignment of rents and leases. Once the note term is complete, and there is no uncured default, the loan will be forgiven in its entirety. There were no loan principal disbursements during the year ended June 30, 2022 and there is no balance outstanding at June 30, 2022. The Organization expects to utilize the maximum principal amount of the loan during the year ending June 30, 2023.

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. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent and utilities. The Organization applied for and received a PPP loan of $182,300 in April 2020. The Organization applied for forgiveness of the entire loan and was approved by the lender and the SBA in March 2021. The Organization has accounted for the PPP loan under the debt model and recognized forgiveness of debt revenue in the consolidated statements of activities of $182,300 during the year ended June 30, 2021 upon approval of the loan forgiveness application.

Line of credit:

The Organization had a $100,000 line of credit. The line of credit matured on October 7, 2022, and was not renewed. Interest charged on advances on the line of credit were at the Prime rate of interest (4.75% and 3.25% at June 30, 2022 and 2021, 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, 2022 and 2021.

9. Notes payable (continued)

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2023	$ 8,332
2024	25,000
2025	25,000
2026	25,000
2027	25,000
Thereafter	5,428,443
Total	$ 5,536,775

10. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

June 30,	**2022**	2021
Purpose and time restricted:		
Acquisition of property and equipment:		
Recapture agreements	**$ 623,650**	$ 623,650
Unamortized loan discount	**3,666,363**	3,061,889
Affordable housing		340,000
Client assistance	**6,400**	5,000
Housing stability specialist	**54,166**	57,591
Registered nurse	**50,000**	
Permanently restricted:		
Endowment fund	**2,078**	2,077
Total net assets with donor restrictions	**$ 4,402,657**	$ 4,090,207

10. 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 September 2052.

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

Years ended June 30,	**2022**	2021
Purpose and time restricted:		
Amortization of loan discount	**$ 77,806**	$ 68,950
Client assistance	**100**	5,000
Development of affordable housing	**340,000**	
Housing stability specialist	**68,425**	48,779
Total net assets released from restrictions	**$ 486,331**	$ 122,729

11. 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 years ended June 30, 2022 and 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 $28,092 and $20,239 for the years ended June 30, 2022 and 2021, respectively.

12. 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 has various scattered site apartment rentals under short-term leases.

Future minimum rental payments are as follows:

Year ending June 30:	Office	Scattered site apartment rentals	Total
2023	$ 30,000	$ 317,000	$ 347,000
2024	10,000		10,000
Total	$ 40,000	$ 317,000	$ 357,000

Total rent expense was $359,730 and $354,205 for the years ended June 30, 2022 and 2021, respectively.

13. Conditional grants receivable

The Organization has a conditional grant receivable of $1,456,175 to provide rental assistance subsidies for eligible units in the Organization's buildings. The Organization met grant conditions and recognized $19,464 and $17,832 of revenue during the years ended June 30, 2022 and 2021, respectively. The revenue is included in grants and contributions in the consolidated statements of activities. The remaining conditional grant receivable is $1,401,047 at June 30, 2022. The conditional grant expires in September 2034.

The Organization has a conditional grant receivable of $1,207,772 to provide rental assistance subsidies for eligible units in an Organization building. The Organization has not met grant conditions and has not recognized grant revenue. The conditional grant expires in July 2038.

14. Concentration of revenue and accounts receivable

Approximately 38% and 42% of the Organization’s total revenue for the years ended June 30, 2022 and 2021, respectively, was provided from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

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:

Years ended June 30,	**2022**	2021
U.S. Department of Housing and Urban Development	**$ 565,952**	$ 589,161
Illinois Department of Human Services	**1,241,595**	763,901
Total	**$ 1,807,547**	$ 1,353,062

Additionally, approximately 51% and 44% of the Organization’s receivables at June 30, 2022 and 2021, respectively, are from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

15. Commitments

The Organization has entered into contracts for construction of a residential building for its housing program. During the year ending June 30, 2023, the Organization expects to incur costs of approximately $6,500,000. All costs will be funded from the Organization’s IHDA and Cook County loans (see Note 9).

16. Related parties

The Organization received a $100,000 contribution from a board member during the year ended June 30, 2022.

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

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

Years ended June 30,	**2022**	2021
Total revenue, support and gains	**$ 4,746,165**	$ 3,257,693
Total expenses before depreciation and amortization and interest expense (amortization of loan discount and loan fees)	**3,108,698**	2,567,442
Change in net assets before depreciation and amortization and interest expense (amortization of loan discount and loan fees)	**1,637,467**	690,251
Depreciation and amortization expense	**352,291**	285,725
Interest expense (amortization of loan discount and loan fees)	**79,146**	69,976
Change in net assets	**$ 1,206,030**	$ 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, which comprise the consolidated statement of financial position as of June 30, 2022, 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 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' 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 Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' 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.

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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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described below, that we consider to be a material weakness.

Material weakness

Property and equipment:

During our audit, we discovered a misstatement of property and equipment at June 30, 2022 due to incorrect posting of monthly depreciation expense in the general ledger and incorrect calculation of depreciation expense for the year ended June 30, 2022. Management's review and approval of property and equipment did not detect the misstatement. Material journal entries were required to correct the errors. We recommend that management strengthen controls such as by implementing a review and approval of the computation of depreciation expense by supervisory personnel to ensure that depreciation expense is calculated and recorded correctly.

Management Response

Depreciation schedules have been updated and will be maintained to properly reflect current property and equipment depreciation moving forward. A procedural adjustment has been made so that monthly depreciation entries will be prepared by the Accounting Assistant and reviewed before posting by the Director of Finance to ensure accuracy. Regular reviews of the depreciation schedule will be made by the Director of Finance and Executive Director.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' 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*.

Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' response to the finding identified in our audit and described above. Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Options for the Mentally-Ill in Evanston, Inc. d/b/a Impact Behavioral Health Partners and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
December 14, 2022