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

CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023 AND 2022

TOGETHER WITH AUDITOR'S REPORT

Dugan + Lopatka
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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 statement of financial position as of June 30, 2023 and the related consolidated statements of activities, cash flows and functional expenses 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, 2023, 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 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. 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.

Prior period Financial Statements

The consolidated financial statements of the Organization as of June 30, 2022 were audited by other auditors whose report date December 14, 2022 expressed an unmodified opinion on those statements.

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.

Responsibilities of Management for the Financial Statements - (Continued)

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, which 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 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.

Dugan & Lopatka

DUGAN & LOPATKA

December 15, 2023
Warrenville, IL

Dugan + Lopatka

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INDEPENDENT AUDITOR'S 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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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, 2023, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2023.

Report on 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 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 the 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 have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item (2022-001) that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 statement. 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.*

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. the Organization's response was not subjected to the other auditing procedures applied in the audit of the 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 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.

Dugan & Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
December 15, 2023

HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL HEALTH PARTNER AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

A S S E T S

	2023	2022
ASSETS		
Cash and cash equivalents	$ 705,824	$ 501,321
Investments	999,651	741,841
Accounts receivable	906,253	451,856
Restricted deposits	248,007	240,093
Prepaid expenses	78,861	55,424
Property and equipment, net	5,415,532	5,633,700
Construction in progress	5,209,287	667,243
Deposits	43,333	46,180
Total assets	$ 13,606,748	$ 8,337,658

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 162,476	$ 93,368
Notes payables, net of unamortized loan fees and unamortized discount	2,868,991	1,753,403
Total liabilities	3,031,467	1,846,771
NET ASSETS:		
Without donor restrictions - Undesignated	2,656,667	2,088,230
With donor restrictions	7,918,614	4,402,657
Total net assets	10,575,281	6,490,887
Total liabilities and net assets	$ 13,606,748	$ 8,337,658

The accompanying notes are an integral part of this statement.

EXHIBIT 2

HOUSING OPTIONS FOR THE MENTALLY-
ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL
HEALTH PARTNER AND SUBSIDIARIES
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:						
Grants and contributions	$ 1,199,517	$ 221,475	1,420,992	$ 1,118,073	$ 116,500	$ 1,234,573
Contributed goods and services	136,495	-	136,495	374,680	-	374,680
Government grants	1,050,590	-	1,050,590	880,570	-	880,570
Employment services	729,032	-	729,032	734,968	-	734,968
Clinical services	1,598,255	-	1,598,255	718,926	-	718,926
Loan discount	-	3,571,933	3,571,933	-	682,280	682,280
Participant rental income	136,999	-	136,999	143,327	-	143,327
Net investment income (loss)	62,298	-	62,298	(27,582)	-	(27,582)
Other income	17,478	-	17,478	4,422	1	4,423
Net assets released from restrictions	277,451	(277,451)	-	486,331	(486,331)	-
Total support and revenue	$ 5,208,115	$ 3,515,957	$ 8,724,072	$ 4,433,715	$ 312,450	$ 4,746,165
EXPENSES:						
Program services	3,683,443	-	3,683,443	2,786,276	-	2,786,276
Supporting services:						
Management and general	685,958	-	685,958	535,594	-	535,594
Fundraising	270,277	-	270,277	218,265	-	218,265
Total expenses	4,639,678	-	4,639,678	3,540,135	-	3,540,135
Change in net assets	568,437	3,515,957	4,084,394	893,580	312,450	1,206,030
NET ASSETS, beginning of year	2,088,230	4,402,657	6,490,887	1,194,650	4,090,207	5,284,857
NET ASSETS, end of year	$ 2,656,667	$ 7,918,614	$ 10,575,281	$ 2,088,230	$ 4,402,657	$ 6,490,887

The accompanying notes are an integral part of this statement.

EXHIBIT 3

HOUSING OPTIONS FOR THE MENTALLY-
ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL
HEALTH PARTNER AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 4,084,394	$ 1,206,030
Adjustments to reconcile changes in total net assets net cash provided by operating activities:		
Depreciation and amortization	294,720	352,291
Loan discount	(3,571,933)	(682,280)
Amortization of loan discount and loan fees	88,118	79,146
Net realized and unrealized (gains) loss	(26,026)	30,859
Donated property	-	(345,000)
Donated stock	-	(5,818)
(Increase) in account receivable	(454,397)	(232,126)
(Increase) decrease in prepaid expenses	(23,437)	4,407
(Increase) decrease in deposits	2,847	(555)
Increase (decrease) in accounts payable and accrued expenses	69,108	(22,601)
Net cash provided by operating activities	463,394	384,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investment	30,064	-
Purchases of investments	(261,848)	(103,276)
Purchases of property and equipment	(141,454)	(203,449)
Net cash used in investing activities	(373,238)	(306,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	129,761	563,402
Payments on notes payable	-	(400,000)
Payment of loan fees	(7,500)	(50,000)
Net cash provided by financing activities	122,261	113,402
NET CHANGE IN CASH AND CASH EQUIVALENTS	212,417	191,030
CASH AND CASH EQUIVALENTS, beginning of year	741,414	550,384
CASH AND CASH EQUIVALENTS, end of year	$ 953,831	$ 741,414
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCE ACTIVITY:		
Proceeds from notes payable used for purchases of property and equipment	$ 4,477,142	$ 328,921
RECONCILIATION OF CASH AND RESTRICTED CASH WITHIN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS:		
Cash	$ 705,824	$ 501,321
Restricted cash - notes payables reserves	248,007	240,093
TOTAL CASH AND RESTRICTED CASH SHOWN ON THE CONSOLIDATED STATEMENT OF CASH FLOWS	$ 953,831	$ 741,414

The accompanying notes are an integral part of this statement.

HOUSING OPTIONS FOR THE MENTALLY-ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL HEALTH PARTNER AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services		
	Support Services	Building Management	Total Program Services	Management and general	Fundraising	Total Expenses
Salaries and benefits	$ 2,003,116	$ 276,161	$ 2,279,277	$ 509,732	$ 191,911	$ 2,980,920
Building occupancy	1,896	685,377	687,273	1,796	-	689,069
Office and administrative	119,114	27,192	146,306	78,492	21,121	245,919
Professional fees	59,260	11,856	71,116	68,788	6,700	146,604
Travel and meetings	20,692	3,957	24,649	215	1,009	25,873
Depreciation and amortization	8	294,712	294,720	-	-	294,720
Interest	-	88,118	88,118	-	-	88,118
Insurance	-	244	244	24,295	-	24,539
Participant support	78,353	8,912	87,265	1,700	2,230	91,195
Special events	4,450	25	4,475	940	47,306	52,721
Total functional expenses	$ 2,286,889	$ 1,396,554	$ 3,683,443	$ 685,958	$ 270,277	$ 4,639,678

The accompanying notes are an integral part of this statement.

HOUSING OPTIONS FOR THE MENTALLY-
ILL IN EVANSTON, INC. D/B/A IMPACT BEHAVIORAL
HEALTH PARTNER AND SUBSIDIARIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

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

The accompanying notes are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

The financial statements were available to be issued on December 15, 2023, with subsequent events being evaluated through this date.

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.

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 that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments - (Continued)

	2023	2022
Investment return is as follows:		
Interest and dividends	$ 36,272	$ 3,277
Realized (loss)	(11,552)	(18,268)
Unrealized gain (loss)	37,578	(12,591)
Investment income (loss)	$ 62,298	$ (27,582)

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, 2023 and 2022.

Leases -

The Organization determines if an arrangement is a lease or contains a lease at inception of the contract. For any operating leases with a term of over one year, the Organization records an operating lease right-of-use asset, current and long-term operating lease liabilities in the balance sheet.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease’s commencement date. As most of the Organization’s leases do not specify their implicit rate, the Organization has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Organization, less any lease incentives the Organization receives from the lessor. The Organization has elected a practical expedient to account for lease and non-lease components together as a single lease component. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Organization has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncement -

Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Organization's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Organization is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Organization is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of July 1, 2022. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard. During 2023, the Organization did not have any material operating leases that would result in recording a lease asset and lease liability. Upon implementation, Organization elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Organization to carry forward the historical lease identification, classification and initial direct costs associated with the Organization's pre-existing leases. The implementation of the amendments did not materially impact the Organization's change in net assets or cash flows.

Property and Equipment -

Property and equipment are stated at cost, if purchased, or at fair value at the date of donation, if donated. The Organization capitalizes fixed asset additions over $1,000. 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:

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment - (Continued)

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, 2023 and 2022.

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.

Revenue Recognition for Contributions and Grants -

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor 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 statement of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on an analysis of time and effort, building occupancy which is allocated based on square footage, and office and administrative and professional fees which are allocated on a basis of full time equivalents.

Income Taxes -

The Organizations has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2020. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

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.

(2) 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.

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.

Rental Income -

Rents are recognized as income on the accrual basis as they are earned over time. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the property are considered to be operating leases and have terms of one year or less.

Recoveries from tenants are recognized as revenue in the period during which the associated costs are incurred.

Revenue recognition under a lease begins when the lessee takes possession or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date. Lease income, for leases that have fixed and measurable rent escalations, is recognized on a straight-line basis over the term of each lease.

(2) REVENUE FROM CONTRACTS WITH CUSTOMERS: (Continued)

Rental Income - (Continued)

The Organization leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Accounts receivable related to revenue from contracts with customers are $322,842 and $333,204 at June 30, 2023 and 2022, respectively. There were no contract assets or contract liabilities as of June 30, 2023 and 2022.

(3) RESTRICTED DEPOSITS:

The following Illinois Housing Development Authority (IHDA) restricted deposits are held by IHDA in an escrow account:

	2023	2022
Operating reserve	$ 134,653	$ 130,357
Insurance reserve	20,589	19,942
Replacement reserve	44,866	43,424
Furniture reserve	25,840	25,015
Real estate taxes reserve	22,059	21,355
	$ 248,007	$ 240,093

(4) ACCOUNTS RECEIVABLE:

Accounts receivables are comprised of the following:

	2023	2022
Grants and contributions	$ 357,744	$ 79,733
Government grants	225,667	38,919
Clinical services	172,770	182,917
Employment services	146,996	138,084
Participant rental income	3,076	12,203
Total	$ 906,253	$ 451,856

(5) PROPERTY AND EQUIPMENT:

The components of property and equipment are as follows:

	2023	2022
Land	$ 1,269,230	$ 1,269,230
Buildings and building improvements	6,772,581	6,698,038
Furniture, equipment and vehicles	122,915	120,906
	8,164,726	8,088,174
Less accumulated depreciation and amortization	2,749,194	2,454,474
Property and equipment, net	$ 5,415,532	$ 5,633,700

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

(6) 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.

(6) FAIR VALUE MEASUREMENTS: (Continued)

Level 2 - (Continued)

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

Investments consist of the following at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 834,499	$ -	$ -	$ 834,499
Exchange-traded funds	165,152	-	-	165,152
Total investments	$ 999,651	$ -	$ -	$ 999,651

Investments consist of the following at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 627,668	$ -	$ -	$ 627,668
Exchange-traded funds	114,173	-	-	114,173
Total investments	$ 741,841	$ -	$ -	$ 741,841

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.

(7) NOTES PAYABLE:

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

	2023	2022
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. The discount is based on imputed interest rate of 5.00%. The principal balance of $4,185,675 at June 30, 2023 is net of unamortized discount of $2,792,533 and unamortized loan fees of $66,158. The principal balance of $4,185,675 at June 30, 2022 is net of unamortized discount of $2,852,573 and unamortized loan fees of 67,277.	$ 1,326,964	$ 1,265,825
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 noncompliance with provisions of the agreement with the lender. The discount is based on imputed interest rate of 5.00%. The loan principal loan balance of $458,777 is net of the unamortized discount of $118,695 and $135,247 at June 30, 2023 and 2022.	340,082	323,530
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. The discount is based on imputed interest rate of 4.50%. The loan principal balance of $2,411,632 and $892,323 is net of unamortized discount of $1,810,619 and $678,543 at June 30, 2023 and 2022, respectively.	544,495	164,048

(7) NOTES PAYABLE: (Continued)

	2023	2022
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 noncompliance with provisions of the agreement with the lender. The discount is based on imputed interest rate of 5.00%. The loan principal balance of $450,000 is net of unamortized discount of $354,180 at June 30, 2023.	$ 95,820	$ -
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. The discount is based on imputed interest rate of 5.00%. The loan principal balance of $2,637,954 is net of unamortized discount of $2,075,964 at June 30, 2023.	561,630	-
	$ 2,868,991	$ 1,753,403

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, 2023, 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.

(7) NOTES PAYABLE: (Continued)

Illinois Housing Development Authority (IHDA) - (Continued)

The Organization has a zero-interest 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, 2023, the Organization has drawn down $2,411,631 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 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. At June 30, 2023, the Organization has drawn down $2,637,594 of the $3,407,042 available under the loan.

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. As of June 30, 2023 the Organization has drawn $450,000 of the available funds on the loan. 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.

Future minimum principal payments are as follows:

Year ending June 30	
2024	$ 25,000
2025	25,000
2026	25,000
2027	25,000
2028	25,000
Thereafter	10,018,678
Total	$ 10,143,678

(8) 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. The line of credit was collateralized by substantially all business assets. There was no balance outstanding on the line of credit at June 30, 2023 and 2022.

(9) LEASES:

The Organization has a short term rental lease for 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.

The components of lease expense for the year ending June 30, 2023 were as follows:

Short-term lease cost	$ 325,448

Future minimum rental payments are as follows for the year ending June 30:

	Office	Scattered Site Apartment Rentals	Total
2024	$ 10,000	$ 96,168	$ 106,168
Amounts representing interest	-	-	-
Present value of minimum lease payments	$ 10,000	$ 96,168	$ 106,168

Total rent expense was $359,730 for the year ended June 30, 2022.

(10) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are as follows:

	2023	2022
Purpose and time restricted:		
Acquisition of property and equipment:		
Recapture agreements	$ 623,650	$ 623,650
Unamortized loan discount	7,152,011	3,666,363
Client assistance	6,400	6,400
Housing stability specialist	-	54,166
Registered nurse	-	50,000
Brummel house improvements	59,475	-
Time restricted	75,000	-
Perpetual in nature:		
Endowment fund	2,078	2,078
Total net assets with donor restrictions	$ 7,918,614	$ 4,402,657

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:

	2023	2022
Purpose and time restricted:		
Amortization of loan discount	$ 86,285	$ 77,806
Client assistance	-	100
Employment assistance	50,000	-
Development of affordable housing	-	340,000
Housing stability specialist	54,166	68,425
Brummel house improvements	37,000	-
Registered nurse	50,000	-
Total net assets released from restrictions	$ 277,451	$ 486,331

(11) IN KIND CONTRIBUTIONS:

During the years ended June 30, 2023 and 2022, the Organization received the following contributed goods and services:

	2023	2022
Building	$ -	$ 345,000
Contracted psychiatric services	28,700	29,680
Rent	95,760	-
Goods/supplies	12,035	-
Total	$ 136,495	$ 374,680

Fair value of in-kind contributions is determined as follows:

Building: 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.

Contracted psychiatric services: 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, 2023 and 2022.

Rent: The Organization leases a 6-unit apartment building from a donor for which it pays $1 on an annual basis for rent. The donated rent is valued at the fair market value as determined by the U.S. Department of Human Services for similar units in the area the building is located. The donated rent expense is included in building occupancy expenses under program services on the consolidated statements of functional expenses for the year ended June 30, 2023.

Goods and supplies: The donated goods and supplies are used by the Organization for program services and fundraising. These items include food, clothing, bedding, gift cards, and other various supplies used for programs. The Organization valued at fair value using estimated wholesale prices of identical or similar items using pricing data under a “like-kind” methodology considering the items’ condition and utility for use.

(12) 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 $182,000 and $511,000 as of June 30, 2023 and 2022, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

(13) 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, 2023 and 2022, 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 $32,456 and $28,092 for the years ended June 30, 2023 and 2022, respectively.

(14) CONDITIONAL GRANTS RECEIVABLE:

The Organization has a conditional grant of $1,456,175 to provide rental assistance subsidies for eligible units in the Organization's buildings. The Organization met grant conditions and recognized $18,648 and $19,464 of revenue during the years ended June 30, 2023 and 2022, respectively. The revenue is included in grants and contributions in the consolidated statements of activities. The remaining conditional grant receivable is $1,382,399 at June 30, 2023. 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.

(15) CONCENTRATION OF REVENUE AND ACCOUNTS RECEIVABLE:

Approximately 23% and 38% of the Organization's total revenue for the years ended June 30, 2023 and 2022, respectively, was provided from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

The following summarizes the Organization's revenue from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services as of June 30, 2023 and 2022:

	2023	2022
U.S. Department of Housing and Urban Development	$ 533,703	$ 565,952
Illinois Department of Human Services	1,451,383	1,241,595
Total	$ 1,985,086	$ 1,807,547

Additionally, approximately 29% and 54% of the Organization's receivables at June 30, 2023 and 2022, respectively, are from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

(16) COMMITMENTS:

The Organization has entered into contracts for construction of a residential building for its housing program. During the year ending June 30, 2024, the Organization expects to incur costs of approximately $2,000,000. All costs will be funded from the Organization's IHDA and Cook County loans (see Note 7).

(17) RELATED PARTIES:

The Organization received $43,153 and $100,000 contribution from board members during the years ended June 30, 2023 and 2022.

(18) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	2023	2022
Financial assets:		
Cash	$ 705,824	$ 501,321
Investments	999,651	741,841
Accounts receivable	906,253	451,856
Restricted cash – reserve deposits	248,007	240,093
Total financial assets	2,859,735	1,935,111
Less: Amounts not available to be used within one year		
Net assets with donor restrictions	(142,953)	(112,644)
Restricted cash - notes payable reserves	(248,007)	(240,093)
Total amounts not available to be used within one year	(390,960)	(352,737)
Financial assets available for general expenditures within one year	$ 2,468,775	$ 1,582,374

The Organization's goal is to maintain enough financial assets to meet 6 months of operating expenses.

The Organization manages its liquidity and reserves adhering to the following principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs;
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(19) SUBSEQUENT EVENTS:

Subsequent to year end the Organization signed an 84-month operating lease for an office space starting in November 2023. The lease calls for monthly base rent payments of $5,080 for the first year of the lease with a 3 percent increase each year thereafter.

Subsequent to year end the Organization signed a $100,000 line of credit agreement with a bank. The line carries a variable interest rate at the Prime rate, and it expires in October 2024.