

**INC MENTAL HEALTH ALLIANCE**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

(With Independent Auditor's Report)

**INC MENTAL HEALTH ALLIANCE**

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## **Independent Auditor's Report**

To the Board of Directors  
INC Mental Health Alliance

### **Opinion**

We have audited the accompanying financial statements of INC Mental Health Alliance (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2022 and 2021, and the related statements of activities – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of INC Mental Health Alliance 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 the modified cash basis of accounting described in Note 2.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of INC Mental Health Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about INC Mental Health Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 INC Mental Health Alliance's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about INC Mental Health Alliance's 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 11 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on page 11 is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Wieland Wallace Inc.*

September 26, 2022



## INC MENTAL HEALTH ALLIANCE

### STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

	Year Ended June 30,	
	2022	2021
<u>SUPPORT AND REVENUES:</u>		
Real Estate Taxes - Community Mental Health Act (708)	\$ 2,018,140	\$ 1,967,609
Rental Income from Agencies		
Amounts Received	180,673	216,808
Donated Use of Facilities	417,000	516,687
Loss on Sales of Assets	(351,592)	-
Interest Income	337	790
Miscellaneous Income	-	34,569
	<b>2,264,558</b>	2,736,463
<u>EXPENSES:</u>		
Program Services		
Planning and Funding	1,837,353	1,690,758
Building Program	667,033	733,878
Total Program Services	2,504,386	2,424,636
General and Administrative	86,820	83,078
	<b>2,591,206</b>	2,507,714
<u>TOTAL EXPENSES</u>	<b>2,591,206</b>	2,507,714
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<b>(326,648)</b>	228,749
<u>NET ASSETS WITH NO DONOR RESTRICTIONS, BEGINNING OF YEAR</u>	<b>2,627,295</b>	2,398,546
<u>NET ASSETS WITH NO DONOR RESTRICTIONS, END OF YEAR</u>	<b>\$ 2,300,647</b>	\$ 2,627,295

## INC MENTAL HEALTH ALLIANCE

### STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

	Year Ended June 30, 2022				Year Ended June 30, 2021			
	Program Services				Program Services			
	Planning and Funding	Building Program	General and Administrative	2022 Total	Planning and Funding	Building Program	General and Administrative	2021 Total
Awards to Agencies	\$ 1,618,737	\$ -	\$ -	\$ 1,618,737	\$ 1,500,161	\$ -	\$ -	\$ 1,500,161
Depreciation	1,031	101,083	1,031	103,145	1,101	116,256	1,101	118,458
Donated Facilities to Agencies	-	417,000	-	417,000	-	516,687	-	516,687
Dues and Subscriptions	2,640	471	1,602	4,713	2,649	476	1,612	4,737
Insurance	5,698	982	3,143	9,823	10,826	1,931	6,003	18,760
Office Expenses	9,354	1,559	4,677	15,590	8,086	1,153	4,410	13,649
Personnel				-				-
Compensation	114,725	24,858	51,626	191,209	97,222	11,157	51,002	159,381
Benefits	15,298	1,755	8,026	25,079	12,375	1,420	6,504	20,299
Payroll Taxes	9,477	729	4,375	14,581	8,648	863	3,942	13,453
Professional Fees	30,564	3,146	11,237	44,947	21,073	2,166	8,118	31,357
Repairs and Maintenance	-	83,943	-	83,943	-	54,127	-	54,127
Satellite Office Occupancy	-	31,287	-	31,287	-	27,570	-	27,570
Scholarships and Other	28,000	-	-	28,000	28,000	-	-	28,000
Travel and Conferences	1,829	220	1,103	3,152	617	72	386	1,075
	<b>\$ 1,837,353</b>	<b>\$ 667,033</b>	<b>\$ 86,820</b>	<b>\$ 2,591,206</b>	<b>\$ 1,690,758</b>	<b>\$ 733,878</b>	<b>\$ 83,078</b>	<b>\$ 2,507,714</b>

## INC MENTAL HEALTH ALLIANCE

### STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	<u>Year Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (326,648)	\$ 228,749
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By Operating Activities:		
Depreciation	103,145	118,458
Loss on SaleS of Assets	351,592	
Increase in Deferred Revenue	11,241	30,791
Increase (Decrease) in Approved Grants	(20,377)	20,377
Increase (Decrease) in Payroll Liabilities	6	(1,348)
	<u>118,959</u>	<u>397,027</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>118,959</u>	<u>397,027</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(5,958)	(22,472)
Net Cash Proceeds From Real Property Sales	1,140,886	-
	<u>1,134,928</u>	<u>(22,472)</u>
<u>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</u>	<u>1,134,928</u>	<u>(22,472)</u>
	<u>1,253,887</u>	<u>374,555</u>
<u>NET INCREASE IN CASH</u>	<u>1,253,887</u>	<u>374,555</u>
<u>CASH AT BEGINNING OF YEAR</u>	<u>1,125,342</u>	<u>750,787</u>
	<u>2,379,229</u>	<u>1,125,342</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 2,379,229</u>	<u>\$ 1,125,342</u>



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## INC MENTAL HEALTH ALLIANCE

### NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

#### NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

INC Mental Health Alliance (formerly INC Board, NFP) (INC) is an Illinois not-for-profit corporation which was chartered on April 21, 1969, to promote the creation of local mental health boards authorized under 405 Illinois Compiled Statutes §20/3a.

In the November 1970 general election, voters of the townships of Aurora, Batavia, Big Rock, Blackberry, Kaneville and Sugar Grove in Kane County, Illinois, approved a community mental health tax referendum. Each of the six township boards appointed a seven-member community health board, known colloquially as a "708" board after the number of the Illinois House of Representatives resolution which created such entities. A seventh township, Virgil, joined the previous six as the result of a referendum passed in November 2000.

Each community 708 board recommends a mental health levy to its respective township board for inclusion among their levy submissions to the county. The county distributes the tax dollars collected to the townships, which remit the mental health portion of the taxes to the INC Mental Health Alliance, the administrative body. The funds are then pooled and distributed to local agencies for selected, eligible services by the INC Mental Health Alliance Board.

The INC Mental Health Alliance Board of Directors is composed of fifteen members. There is one member for each of the township 708 boards, and eight members-at-large elected by the board. Contractual agreements exist between INC and the seven community mental health boards to carry out the work of the seven 708 boards in a regional approach to administration, which is permitted and delineated in the Illinois statute.

INC built and owned the Elizabeth Keeler Center, the 400 Mercy Lane Building, and the Thompson Rehabilitation Center, all situated on land in Aurora, Illinois purchased from the Mercy Center for Health Care Services and the Sisters of Mercy. All three buildings and land were sold during the year ended June 30, 2022, to service organizations that had been leasing the properties (See Note 3).

INC's continuing responsibility to the citizens of the seven townships is to assure the availability, accessibility and continuity of appropriate services for the mentally ill, developmentally disabled, and substance abusers.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

##### MODIFIED CASH BASIS OF ACCOUNTING

INC Mental Health Alliance maintains its accounting records and prepares its financial statements using a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles ("GAAP"). The Organization generally records revenue when received and expenses when paid. Real estate tax revenue from the subsequent year's levy that is received in the current year is reported as deferred revenue. Approved but unpaid grants are recognized in the period approved. Under GAAP, revenue and related receivables would be recorded when earned, and expenses and related liabilities would be recorded when incurred.

##### CASH AND CONCENTRATIONS OF RISK

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are comprised of demand deposits, certificates of deposit and repurchase agreements with banks. The Organization maintains its cash with high quality financial institutions and deposits occasionally exceed federally insured limits.

# INC MENTAL HEALTH ALLIANCE

Notes to the Financial Statements (Continued)

## CAPITALIZATION AND DEPRECIATION

Depreciation is provided for using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service life of the assets for depreciation and amortization purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Land improvements	10 – 40 years
Buildings and improvements	7 – 40 years
Leasehold improvements	7 – 40 years
Furniture and equipment	5 – 10 years

The Organization reviewed its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There have been no impairment losses recognized through June 30, 2022. The buildings and land were sold during the year ended June 30, 2022 (see Note 3).

## RESTRICTIONS ON NET ASSETS

Support and revenues received that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities. Restricted support and revenues are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. The Organization had no net assets with donor restrictions at June 30, 2022 or 2021.

## IN-KIND DONATIONS TO AGENCIES

The excess of fair rental values over rents charged for facilities leased to service agencies with missions supported by the Organization is recognized as grant expense and corresponding rental income in the statement of activities (Note 4).

## ESTIMATES

The preparation of financial statements in conformity with a modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## MANAGEMENT'S REVIEW

The Organization has evaluated subsequent events through the date which the financial statements were available to be issued, which is the date of the Independent Auditor's Report.

## **INC MENTAL HEALTH ALLIANCE**

Notes to the Financial Statements (Continued)

### **NOTE 3 – PROPERTY SALES**

The real property at 309-409 New Indian Trail Court in Aurora was sold on April 18, 2022 at a selling price of \$679,120. Real property at 400 Mercy Lane in Aurora was sold on May 2, 2022 at a selling price of \$480,000. The Organization recognized a combined loss on the sale of the properties of \$351,592 for financial reporting purposes.

### **NOTE 4 - LEASES (AS LESSOR)**

Until the date of each property's sale (see Note 3), the Organization leased facilities in each property to service organizations with missions it supports at rental rates that were less than fair market rental values. During the years ended June 30, 2022 and 2021, respectively, rents collected totaled \$180,673 and \$216,808, respectively. The values of donated properties totaled \$417,000 and \$516,687 during the years ended June 30, 2022 and 2021, respectively. Donated values are recorded as revenues with offsetting program expenses

### **NOTE 5 - LEASE COMMITMENTS (AS LESSEE)**

The Organization rents office space located in Sugar Grove, Illinois, and Elburn, Illinois under operating leases. The Sugar Grove lease is a five-year agreement with basic monthly payments of \$1,480 beginning November 1, 2019 and ending October 31, 2024. The Elburn lease is one-year agreement beginning July 1, 2019 and continuing on a year-to-year basis with a basic monthly rent of \$805.

Effective April 1, 2019, the Organization leases a copy machine under an operating lease agreement that expires in June 2024 with minimum monthly lease payments totaling \$187.

Effective May 2, 2022, the Organization began leasing office space for its operations under an operating lease agreement that expires May 1, 2031 with a minimum monthly lease payment totaling \$1,289.

Annual future minimum lease commitments for agreements in effect at June 30, 2022 are as follows:

Year ending June 30:	
2023	\$ 35,477
2024	35,477
2025	23,637
2026	15,468
2027	15,468
2028	15,468
2029	15,468
2030	15,468
2031	<u>5,156</u>
	<u>\$ 177,087</u>

### **NOTE 6 - INCOME TAXES**

The Organization is tax exempt under Internal Revenue Code Section 501 (c) (3), is classified as a public charity and has no unrelated business income. Accordingly, no provision for income taxes is reported.

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of June 30, 2022, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

## **INC MENTAL HEALTH ALLIANCE**

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Notes to the Financial Statements (*Continued*)

### **NOTE 7 - PENSION PLAN**

The Organization maintains a qualified 403(b) pension plan for its employees. Employer contributions to the plan are based on the employee's annual compensation and years of service. The employee may also contribute to the pension as allowed under the plan. Employer contributions to the plan totaled \$8,026 and \$6,673 during the years ended June 30, 2022 and 2021, respectively

### **NOTE 8 – NEW ACCOUNTING POLICIES**

#### **NEW ACCOUNTING STANDARD – LEASES**

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statement of financial position and the liabilities for the obligations under the lease also be recognized on the statement of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 was effective for fiscal years beginning after December 15, 2020, but was extended for one year due to the pandemic. ASU No. 2016-02 must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations, cash flows and related disclosures.

### **NOTE 9 – PAYCHECK PROTECTION PROGRAM**

On May 3, 2021, the Organization received loan proceeds totaling \$34,569 under the Paycheck Protection Program ("PPP") which was forgiven in full during the year ended June 30, 2022. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Because the Organization utilized the loan proceeds for eligible purposes, it recognized the proceeds in miscellaneous income on the statement of activities for the year ended June 30, 2021.

### **NOTE 10 – CONTINGENCY**

The Organization has taken a number of measures to monitor and mitigate the effects of Covid-19, including procuring a PPP loan (see Note 9), and the impact on the Organization's operations has not been significant. Significant uncertainty remains around the breadth and duration of the effects of Covid-19 and, as such, the Organization is unable to determine if it will have a material impact to its operations in future years.

### **NOTE 11 – LIQUIDITY OF ASSETS**

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and money market accounts. To help manage unanticipated liquidity needs, the Organization maintains financial assets on hand to meet a minimum of one year of normal operating expense.

The Organization has \$2,379,230 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$2,379,230.

SUPPLEMENTARY INFORMATION

**INC MENTAL HEALTH ALLIANCE**

**SCHEDULE OF REAL ESTATE TAX REVENUE - MODIFIED CASH BASIS**

	Year Ended June 30,	
	2022	2021
<b>TOWNSHIPS:</b>		
Aurora	\$ 1,366,428	\$ 1,333,093
Batavia	408,253	398,800
Big Rock	24,556	23,973
Blackberry	58,378	57,152
Kaneville	14,683	14,338
Sugar Grove	126,058	121,128
Virgil	19,784	19,125
	<u>\$ 2,018,140</u>	<u>\$ 1,967,609</u>

**INC MENTAL HEALTH ALLIANCE**

**SCHEDULE OF AWARDS TO AGENCIES - MODIFIED CASH BASIS**

	Year Ended June 30,	
	2022	2021
<b>AGENCIES:</b>		
AMITA Mercy Medical Center	\$ 25,000	\$ 25,000
Association for Individual Development	417,203	423,203
Breaking Free	-	102,646
Cities in Schools	86,275	86,275
Conley Outreach Community Services	76,500	76,500
Family Counseling Services	284,794	247,000
Family Focus	59,225	59,225
Family Service Association of Greater Elgin	50,400	25,200
Fox Valley Hands of Hope	28,063	28,063
Gateway Foundation	47,520	41,580
Mutual Ground	261,649	104,019
NAMI	21,930	12,272
Senior Services Associates	18,672	18,672
Simply Destinee	-	9,000
Suicide Prevention Services	45,989	45,989
TriCity Family Services	115,517	115,517
Visiting Nurses Association	80,000	80,000
	<u>\$ 1,618,737</u>	<u>\$ 1,500,161</u>