INC MENTAL HEALTH ALLIANCE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

(With Independent Auditor's Report)

Wieland Wallace Inc.
Certified Public Accountants

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Certified Public Accountants

232 S. Batavia Avenue, Batavia, Illinois 60510
Phone: 630-406-4490 • Fax: 630-406-4491
www.wielandcpas.net

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, 2023 and 2022, 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, 2023 and 2022, 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 staments 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 11, 2023

INC MENTAL HEALTH ALLIANCE

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

	June 30, 2023	June 30, 2022
ASSETS:		
Cash	$ **3,043,130**	$ 2,379,229
TOTAL CURRENT ASSETS	**3,043,130**	2,379,229
LONG TERM ASSETS		
Rental Deposits	**450**	450
ROU Assets - Net	**133,780**	–
Property and Equipment		
Leasehold Improvements	**45,355**	45,355
Furniture and Equipment	**127,617**	119,472
	172,972	164,827
Accumulated Depreciation	**(121,534)**	(118,063)
Net Property and Equipment	**51,438**	46,764
TOTAL ASSETS	$ **3,228,798**	$ 2,426,443
LIABILITIES:		
Deferred Revenue	$ **750,168**	$ 125,036
Payroll Liabilities and Accrued Expenses	**912**	760
Lease Liability	**133,780**	–
TOTAL LIABILITIES	**884,860**	125,796
NET ASSETS		
Without Donor Restrictions	**2,343,938**	2,300,647
TOTAL LIABILITIES AND NET ASSETS	$ **3,228,798**	$ 2,426,443

INC MENTAL HEALTH ALLIANCE

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

	Year Ended June 30, 2023	Year Ended June 30, 2022
SUPPORT AND REVENUES:		
Real Estate Taxes - Community Mental Health Act (708)	**$ 2,050,482**	$ 2,018,140
Rental Income from Agencies		
Amounts Received	**–**	180,673
Donated Use of Facilities	**31,740**	417,000
Loss on Sales of Assets	**–**	(351,592)
Interest Income	**44,443**	337
TOTAL SUPPORT AND REVENUES	**2,126,665**	2,264,558
EXPENSES:		
Program Services		
Planning and Funding	**1,877,241**	1,837,353
Building Program	**116,946**	667,033
Total Program Services	**1,994,187**	2,504,386
General and Administrative	**89,187**	86,820
TOTAL EXPENSES	**2,083,374**	2,591,206
INCREASE (DECREASE) IN NET ASSETS	**43,291**	(326,648)
NET ASSETS WITH NO DONOR RESTRICTIONS, BEGINNING OF YEAR	**2,300,647**	2,627,295
NET ASSETS WITH NO DONOR RESTRICTIONS, END OF YEAR	**$ 2,343,938**	$ 2,300,647

INC MENTAL HEALTH ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

	Year Ended June 30, 2023				Year Ended June 30, 2022			
	Program Services				Program Services			
	Planning and Funding	**Building Program**	**General and Administrative**	**2023 Total**	Planning and Funding	Building Program	General and Administrative	2022 Total
Awards to Agencies	**$ 1,657,972**	**$ –**	**$ –**	**$ 1,657,972**	$ 1,618,737	$ –	$ –	$ 1,618,737
Depreciation	**35**	**3,402**	**34**	**3,471**	1,031	101,083	1,031	103,145
Donated Facilities to Agencies	**–**	**31,740**	**–**	**31,740**	–	417,000	–	417,000
Dues and Subscriptions	**3,049**	**545**	**1,850**	**5,444**	2,640	471	1,602	4,713
Insurance	**3,873**	**667**	**2,136**	**6,676**	5,698	982	3,143	9,823
Lease Expense	**451**	**44,234**	**452**	**45,137**	-	-	-	–
Miscellaneous Expense	**-**	**-**	**313**	**313**	-	-	-	–
Office Expenses	**6,223**	**1,037**	**3,111**	**10,371**	9,354	1,559	4,677	15,590
Personnel								–
Compensation	**123,396**	**26,736**	**55,528**	**205,660**	114,725	24,858	51,626	191,209
Benefits	**24,285**	**2,787**	**12,740**	**39,812**	15,298	1,755	8,026	25,079
Payroll Taxes	**9,120**	**1,047**	**4,784**	**14,951**	9,477	729	4,375	14,581
Professional Fees	**18,378**	**1,892**	**6,757**	**27,027**	30,564	3,146	11,237	44,947
Repairs and Maintenance	**–**	**2,563**	**–**	**2,563**	–	83,943	–	83,943
Satellite Office Occupancy	**–**	**-**	**–**	**–**	–	31,287	–	31,287
Scholarships and Other	**28,000**	**–**	**–**	**28,000**	28,000	–	–	28,000
Travel and Conferences	**2,459**	**296**	**1,482**	**4,237**	1,829	220	1,103	3,152
	$ 1,877,241	**$ 116,946**	**$ 89,187**	**$ 2,083,374**	$ 1,837,353	$ 667,033	$ 86,820	$ 2,591,206

INC MENTAL HEALTH ALLIANCE

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	Year Ended June 30, 2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	$ **43,291**	$ (326,648)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	**3,471**	103,145
Loss on Sale of Assets	–	351,592
Increase in Deferred Revenue	**625,132**	11,241
Decrease in Approved Grants	—	(20,377)
Increase in Payroll Liabilities	**152**	6
NET CASH PROVIDED BY OPERATING ACTIVITIES	**672,046**	118,959
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	**(8,145)**	(5,958)
Net Cash Proceeds From Real Property Sales	—	1,140,886
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	**(8,145)**	1,134,928
NET INCREASE IN CASH	**663,901**	1,253,887
CASH AT BEGINNING OF YEAR	**2,379,229**	1,125,342
CASH AT END OF YEAR	$ **3,043,130**	$ 2,379,229

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.

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.

	Estimated Life
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, 2023. 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, 2023 or 2022.

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).

LEASES

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use (ROU) assets and corresponding lease liabilities on the balance sheet. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The new guidance requires the Organization to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

As of July 1, 2022, the Organization changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, Leases, using the modified retrospective transition method. There was no cumulative effect adjustment to the Organization's balance sheet as of July 1, 2022. Comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior period.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Organization elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. The Organization has not elected the hindsight practical expedient.

As of July 1, 2022, $174,446 in operating lease right-of-use assets and corresponding lease liabilities were recognized. Adoption of the new guidance did not have a significant impact to the statement of income and comprehensive income or cash flows for the year ended June 30, 2023.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise.

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.

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 in April and May of 2022 (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. The rents collected as of June 30, 2022 year end totaled $180,673. The value of donated leased space totaled $31,740 and $417,000 during the years ended June 30, 2023 and 2022, respectively. Donated values are recorded as revenues with offsetting program expenses

NOTE 5 - LEASE COMMITMENTS (AS LESSEE)

The Organization leases office space in Aurora, Illinois. The current lease started November 1, 2021 with an expiration date of October 31, 2023. First month's rent in November of 2021 was free of charge. The new lease has a remaining lease term of 23 months. As of November 30, 2022, the right-of-use (ROU) asset had a balance of $27,204, as shown in noncurrent assets on the statement of financial position; the corresponding lease liability is included in liabilities as $27,204. The lease asset and liability were calculated utilizing the risk-free discount rate of 0.56% according to the organization's elected policy.

Additional information about the Organization's leases is as follows:

Weighted average remaining lease term:	
Operating Lease	7 years
Weighted average discount rate:	
Operating Lease	2.87%
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$45,137

Maturities of operating lease liabilities as of June 30, 2023 were as follows:

Year Ending June 30:	
2024	$ 35,477
2025	21,388
2026	15,468
2027	15,468
2028	15,468
2029	15,468
2030	15,468
2031	12,890
Total lease payments	147,095
Less: interest	(13,315)
Present value of lease liabilities	$ 133,780

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, 2023, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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 $12,740 and $8,026 during the years ended June 30, 2023 and 2022, respectively

NOTE 8 – 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 $3,043,130 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 $3,043,130.

SUPPLEMENTARY INFORMATION

INC MENTAL HEALTH ALLIANCE

SCHEDULE OF REAL ESTATE TAX REVENUE - MODIFIED CASH BASIS

	Year Ended June 30,	
	2023	2022
TOWNSHIPS:		
Aurora	**$ 1,384,824**	$ 1,366,428
Batavia	**417,713**	408,253
Big Rock	**26,642**	24,556
Blackberry	**58,873**	58,378
Kaneville	**14,968**	14,683
Sugar Grove	**127,287**	126,058
Virgil	**20,175**	19,784
	$ 2,050,482	$ 2,018,140

INC MENTAL HEALTH ALLIANCE

SCHEDULE OF AWARDS TO AGENCIES - MODIFIED CASH BASIS

	Year Ended June 30,	
	2023	2022
AGENCIES:		
AMITA Mercy Medical Center	**$ 25,000**	$ 25,000
Association for Individual Development	**425,717**	417,203
Cities in Schools	**86,275**	86,275
Conley Outreach Community Services	**79,500**	76,500
Family Counseling Services	**280,050**	284,794
Family Focus	**60,435**	59,225
Family Service Association of Greater Elgin	**51,430**	50,400
Fox Valley Hands of Hope	**30,776**	28,063
Gateway Foundation	**47,916**	47,520
Marklund	**16,356**	
Mutual Ground	**266,985**	261,649
NAMI	**11,726**	21,930
Senior Services Associates	**19,053**	18,672
Suicide Prevention Services	**46,929**	45,989
TriCity Family Services	**128,194**	115,517
Visiting Nurses Association	**81,630**	80,000
	$ 1,657,972	$ 1,618,737