INC BOARD, NFP

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

(With Independent Auditor's Report)

INC BOARD, NFP

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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Wieland & Company, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
INC Board, NFP
Aurora, Illinois

We have audited the accompanying financial statements of INC Board, NFP (an Illinois nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of June 30, 2018 and 2017, and the related statements of activities – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and the net assets of INC Board, NFP as of June 30, 2018 and 2017, and its 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 as described in Note 2.

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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11-12 is presented for 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Wieland & Company, Inc.

Batavia, Illinois
September 24, 2018

INC BOARD, NFP

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

JUNE 30, 2018 and 2017

	2018	2017
ASSETS:		
Cash	$ 1,357,884	$ 1,328,922
Rental Deposits	450	450
Property and Equipment		
Land and Improvements	369,493	369,493
Buildings and Improvements	5,249,389	5,258,820
Leasehold Improvements	45,355	45,355
Furniture and Equipment	111,395	153,106
	5,775,632	5,826,774
Accumulated Depreciation	(4,147,930)	(4,105,802)
Net Property and Equipment	1,627,702	1,720,972
TOTAL ASSETS	$ 2,986,036	$ 3,050,344
LIABILITIES:		
Deferred Revenue	$ 687,373	$ 668,464
Payroll Liabilities	4,348	5,895
TOTAL LIABILITIES	691,721	674,359
NET ASSETS		
Unrestricted	2,294,315	2,375,985
TOTAL LIABILITIES AND NET ASSETS	$ 2,986,036	$ 3,050,344

See Accompanying Notes to Financial Statements.

INC BOARD, NFP

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

Years Ended June 30, 2018 and 2017

		2018		2017
SUPPORT AND REVENUES:				
Real Estate Taxes - Community Mental Health Act (708)	$	1,799,305	$	1,775,593
Rental Income from Agencies				
Amounts Received		183,210		183,210
Donated Use of Facilities		547,764		547,764
Interest Income		3,002		2,459
Miscellaneous Income		28		514
TOTAL SUPPORT AND REVENUES		2,533,309		2,509,540
EXPENSES:				
Program Services				
Planning and Funding		1,711,750		1,657,667
Building Program		795,893		784,083
General and Administrative		107,336		101,169
TOTAL EXPENSES		2,614,979		2,542,919
DECREASE IN NET ASSETS		(81,670)		(33,379)
NET ASSETS AT BEGINNING OF YEAR		2,375,985		2,409,364
NET ASSETS AT END OF YEAR	$	2,294,315	$	2,375,985

See Accompanying Notes to Financial Statements.

INC BOARD, NFP

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Years Ended June 30, 2018 and 2017

		2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Decrease in Net Assets	$	(81,670) $	(33,379)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided By Operating Activities:			
Depreciation		117,364	119,426
Loss on Disposal of Assets		138	–
Increase in Deferred Revenue		18,909	29,444
Increase (Decrease) in Payroll Liabilities		(1,547)	5,581
NET CASH PROVIDED BY OPERATING ACTIVITIES		53,194	121,072
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment		(24,232)	(47,922)
NET CASH USED IN INVESTING ACTIVITIES		(24,232)	(47,922)
NET INCREASE IN CASH		28,962	73,150
CASH AT BEGINNING OF YEAR		1,328,922	1,255,772

See Accompanying Notes to Financial Statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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 Board, the administrative body. The funds are then pooled and distributed to local agencies for selected, eligible services by the INC Board.

The INC 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 owns 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.

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 Board, NFP 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. Under GAAP, revenue and related receivables would be recorded when earned, and expenses and related liabilities would be recorded when incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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
Furniture and equipment	5 – 7 years

The Organization reviews 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, 2018.

Management previously had formal appraisals of the buildings and improvements performed which reported estimated market values totaling $4.1 million at June 30, 2011. No updates of the appraisals have been performed through June 30, 2018.

RESTRICTIONS ON NET ASSETS

Support and revenues received that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. Restricted support and revenues are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contribution is recognized. The Organization had no permanently or temporarily restricted net assets at June 30, 2018 or 2017.

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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 September 24, 2018, the date which the financial statements were available to be issued.

NOTE 3 - LEASES (AS LESSOR)

The Organization leases facilities to service organizations with missions it supports at rental rates that are less than fair market rental values. Leases in effect at June 30, 2018 are as follows:

Lessee	Property	Lease Term	Rents Collected	Rents Donated
The Association for Individual Development	Elizabeth Keeler Center	Annual	$ 38,588	$ 130,631
The Association for Individual Development	Thompson Rehabilitation Center	Annual	77,175	237,825
The Association for Individual Development	Thompson Rehabilitation Center, North Wing	Annual	38,587	78,148
Gateway Foundation	400 Mercy Lane Building	Annual	26,460	69,540
Gateway Foundation	400 Mercy Lane Land	7/1/2003-6/30/2092	2,400	-
National Alliance for Mentally Ill	400 Mercy Lane Building	Monthly	-	4,320
Conley Outreach Community Services	Satellite Office	Annual	-	27,300
	Totals for the year ended June 30, 2018		$ 183,210	$ 547,764

NOTE 3 - LEASES (AS LESSOR) – CONTINUED

Leases are generally renewable annually, unless terminated at the Organization's option. Future minimum rental income is $183,210 for the year ending June 30, 2018 and $2,400 in subsequent years. Management generally expects leases to be renewed or replaced in the normal course of business.

NOTE 4 - LEASE COMMITMENTS (AS LESSEE)

The Organization rents office space located in Sugar Grove, Illinois, and Elburn, Illinois under operating leases. The Sugar Grove lease was a five year agreement with basic monthly payments of $1,480 beginning November 1, 2009 and ending October 31, 2014. In June 2014 the lease agreement was extended until October 31, 2019 at the same basic terms. The Organization has an option to renew the lease for an additional five years with rents adjusted for changes in the Consumer Price Index. The Elburn lease was a one year agreement beginning July 1, 2015 and ended June 30, 2016 with a basic monthly rent of $775. The lease was renewed as a periodic tenancy lease continuing on a year-to-year basis beginning on July 1, 2016 with a basic monthly rent of $795.

The Organization leases a copy machine under an operating lease agreement that expires in April 2019. Minimum monthly lease payments total $211 beginning February 25, 2014.

Annual future minimum lease commitments for agreements in effect at June 30, 2018 are as follows:

Year ending June 30:	
2019	$ 29,410
2020	5,920
	$ 35,330

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, 2018, 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 $17,274 and $14,368 during the years ended June 30, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

INC BOARD, NFP

SCHEDULE OF REAL ESTATE TAX REVENUE - MODIFIED CASH BASIS

Years Ended June 30, 2018 and 2017

	2018	2017
TOWNSHIPS:		
Aurora	$ 1,221,807	$ 1,207,345
Batavia	360,000	355,000
Big Rock	22,928	22,800
Blackberry	52,363	51,196
Kaneville	13,412	13,210
Sugar Grove	110,946	108,710
Virgil	17,849	17,332
	$ 1,799,305	$ 1,775,593

INC BOARD, NFP

SCHEDULE OF AWARDS TO AGENCIES - MODIFIED CASH BASIS

Years Ended June 30, 2018 and 2017

	2018	2017
AGENCIES:		
Association for Individual Development	$ 397,795	$ 390,113
Breaking Free	150,780	148,000
CASA Kane County	13,770	13,500
Communities in Schools	80,886	79,300
Conley Outreach Community Services	74,350	72,958
DayOne Network	15,300	15,000
Elderday Center	9,000	9,000
Family Counseling Services	249,800	247,000
Family Focus	55,000	35,000
Fox Valley Hands of Hope	26,010	25,500
Gateway Foundation	48,000	48,000
Kaneland Schools	1,000	1,000
Mutual Ground	96,599	92,000
NAMI	6,092	6,500
Open Door	–	1,700
Prairie State Legal Services	–	12,500
Senior Services Associates	17,340	17,000
Suicide Prevention Services	43,350	42,500
TriCity Family Services	109,390	107,500
Visiting Nurses Association	80,000	80,000
	$ 1,474,462	$ 1,444,071

INC BOARD, NFP

SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Years Ended June 30, 2018 and 2017
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Year Ended June 30, 2018					
	Program Services					
	Planning and Funding	Building Program	Total Program Services	General and Administrative	2018 Total	2017 Total
Awards to Agencies	$ 1,475,449	$ –	$ 1,475,449	$ –	$ 1,475,449	$ 1,444,071
Depreciation	1,194	114,976	116,170	1,194	117,364	119,426
Donated Facilities to Agencies	–	547,764	547,764	–	547,764	547,764
Dues and Subscriptions	4,005	344	4,349	1,575	5,924	6,674
Insurance	1,952	13,341	15,293	423	15,716	15,959
Loss on Disposal of Asset	–	–	–	138	138	–
Office Expenses	7,062	790	7,852	3,694	11,546	10,338
Personnel						
Compensation	114,206	13,106	127,312	59,911	187,223	180,161
Benefits	29,637	3,401	33,038	15,548	48,586	43,738
Payroll Taxes	8,737	1,003	9,740	4,583	14,323	13,782
Professional Fees	51,732	4,366	56,098	18,814	74,912	57,200
Repairs and Maintenance, Organization Properties	–	69,183	69,183	–	69,183	56,866
Satellite Office Rents and Related Expenses	–	27,300	27,300	–	27,300	27,300
Scholarships and Other	15,000	–	15,000	–	15,000	15,000
Travel and Conferences	2,776	319	3,095	1,456	4,551	4,640
	$ 1,711,750	$ 795,893	$ 2,507,643	$ 107,336	$ 2,614,979	$ 2,542,919