

INC BOARD, NFP

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

(With Independent Auditor's Report)

INC BOARD, NFP
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

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 26, 2016

INC BOARD, NFP

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

JUNE 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS:</u>		
Cash	\$ 1,255,772	\$ 1,196,488
Deposits	450	450
Property and Equipment		
Land and Improvements	369,493	369,493
Buildings and Improvements	5,210,898	5,166,588
Leasehold Improvements	45,355	45,355
Furniture and Equipment	153,106	153,106
	<u>5,778,852</u>	<u>5,734,542</u>
Accumulated Depreciation	<u>(3,986,376)</u>	<u>(3,864,441)</u>
Net Property and Equipment	<u>1,792,476</u>	<u>1,870,101</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,048,698</u>	<u>\$ 3,067,039</u>
<u>LIABILITIES:</u>		
Deferred Revenue	\$ 639,020	\$ 639,913
Payroll Taxes Payable	314	11,825
	<u>639,334</u>	<u>651,738</u>
<u>TOTAL LIABILITIES</u>	639,334	651,738
<u>NET ASSETS</u>		
Unrestricted	<u>2,409,364</u>	<u>2,415,301</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,048,698</u>	<u>\$ 3,067,039</u>

See Accompanying Notes to Financial Statements.

INC BOARD, NFP

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>SUPPORT AND REVENUES:</u>		
Real Estate Taxes - Community Mental Health Act (708)	\$ 1,756,560	\$ 1,718,246
Rental Income from Agencies		
Amounts Received	183,210	183,210
Donated Use of Facilities	547,524	547,224
Interest Income	<u>2,437</u>	<u>2,120</u>
<u>TOTAL SUPPORT AND REVENUES</u>	2,489,731	2,450,800
<u>EXPENSES:</u>		
Program Services		
Planning and Funding	1,598,387	1,600,839
Building Program	802,655	722,769
General and Administrative	<u>94,626</u>	<u>153,198</u>
<u>TOTAL EXPENSES</u>	<u>2,495,668</u>	<u>2,476,806</u>
<u>DECREASE IN NET ASSETS</u>	(5,937)	(26,006)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>2,415,301</u>	<u>2,441,307</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 2,409,364</u>	<u>\$ 2,415,301</u>

See Accompanying Notes to Financial Statements.

INC BOARD, NFP

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Decrease in Net Assets	\$ (5,937)	\$ (26,006)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	121,935	122,115
Increase (Decrease) in Deferred Revenue	(893)	472,537
Increase (Decrease) in Payroll Taxes Payable	<u>(11,511)</u>	<u>7,228</u>
	<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>575,874</u>
	103,594	575,874
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	<u>(44,310)</u>	<u>(77,673)</u>
	<u>NET CASH USED IN INVESTING ACTIVITIES</u>	<u>(77,673)</u>
	(44,310)	(77,673)
	<u>NET INCREASE IN CASH</u>	<u>498,201</u>
	59,284	498,201
<u>CASH AT BEGINNING OF YEAR</u>	<u>1,196,488</u>	<u>698,287</u>
	<u>CASH AT END OF YEAR</u> \$	<u>CASH AT END OF YEAR</u> \$
	<u>1,255,772</u>	<u>1,196,488</u>

See Accompanying Notes to Financial Statements.

INC BOARD, NFP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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.

INC BOARD, NFP

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2016

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.

	<u>Estimated Life</u>
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, 2016.

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, 2016.

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, 2016 or 2015.

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).

INC BOARD, NFP

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2016

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 26, 2016, 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, 2016 are as follows:

<u>Lessee</u>	<u>Property</u>	<u>Lease Term</u>	<u>Rents Collected</u>	<u>Rents Donated</u>
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	-	27,060
Totals for the year ended June 30, 2016			<u>\$ 183,210</u>	<u>\$ 547,524</u>

INC BOARD, NFP

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2016

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, 2016 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 \$1,350 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.

Annual future minimum lease commitments for agreements in effect at June 30, 2016 are as follows:

Year ending June 30:	
2017	\$ 25,740
2018	16,200
2019	16,200
2020	<u>5,400</u>
	\$ <u>63,540</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, 2016, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

INC BOARD, NFP

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2016

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 \$15,390 and \$20,084 during the years ended June 30, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

INC BOARD, NFP

SCHEDULE OF REAL ESTATE TAX REVENUE - MODIFIED CASH BASIS

Years Ended June 30, 2016 and 2015

<u>TOWNSHIPS:</u>	<u>2016</u>	<u>2015</u>
Aurora	\$ 1,197,815	\$ 1,172,352
Batavia	350,000	340,000
Big Rock	22,369	22,216
Blackberry	49,897	49,092
Kaneville	13,047	12,836
Sugar Grove	106,398	105,175
Virgil	17,034	16,575
	<u>\$ 1,756,560</u>	<u>\$ 1,718,246</u>

INC BOARD, NFP

SCHEDULE OF AWARDS TO AGENCIES - MODIFIED CASH BASIS

Years Ended June 30, 2016 and 2015

<u>AGENCIES:</u>	<u>2016</u>	<u>2015</u>
Association for Individual Development	\$ 387,450	\$ 370,125
Breaking Free	147,400	119,138
CASA Kane County	13,000	11,700
Communities in Schools	78,500	77,000
Gateway Foundation	48,000	112,809
Conley Outreach Community Services	73,628	76,064
DayOne Network	14,000	12,000
Elderday Center	9,000	8,550
Family Counseling Service	248,740	193,000
Fox Valley Hands of Hope	25,000	23,180
Kaneland Schools	1,000	1,000
Livingwell Cancer Resource Center	-	2,500
Mutual Ground	89,500	85,500
NAMI	6,488	5,562
Open Door	1,197	7,042
Prairie State Legal Services	11,000	10,000
Senior Services Associates	16,000	14,000
Suicide Prevention Services	40,300	39,100
TriCity Family Services	105,918	88,043
Visiting Nurses Association	80,000	80,000
	<u>\$ 1,396,121</u>	<u>\$ 1,336,313</u>

INC BOARD, NFP

SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Years Ended June 30, 2016 and 2015

(With Summarized Financial Information for the Year Ended June 30, 2015)

	Year Ended June 30, 2016					
	Program Services			General and Administrative	2016 Total	2015 Total
	Planning and Funding	Building Program	Total Program Services			
Awards to Agencies	\$ 1,396,121	\$ —	\$ 1,396,121	\$ —	\$ 1,396,121	\$ 1,336,313
Depreciation	1,219	119,497	120,716	1,219	121,935	122,115
Donated Facilities to Agencies	—	547,524	547,524	—	547,524	547,224
Dues and Subscriptions	7,887	—	7,887	—	7,887	8,533
Insurance	2,147	14,673	16,820	1,074	17,894	17,298
Office Expenses	7,420	852	8,272	3,893	12,165	15,491
Personnel						
Compensation	98,165	11,265	109,430	51,496	160,926	214,506
Benefits	24,574	2,820	27,394	12,891	40,285	54,355
Payroll Taxes	7,510	862	8,372	3,939	12,311	16,410
Professional Fees	35,308	4,052	39,360	18,522	57,882	16,528
Repairs and Maintenance, Organization Properties	—	71,467	71,467	—	71,467	79,713
Satellite Office Rents and Related Expenses		29,295	29,295	—	29,295	26,925
Scholarships and Other	15,000	—	15,000	—	15,000	15,392
Travel and Conferences	3,036	348	3,384	1,592	4,976	6,003
	<u>\$ 1,598,387</u>	<u>\$ 802,655</u>	<u>\$ 2,401,042</u>	<u>\$ 94,626</u>	<u>\$ 2,495,668</u>	<u>\$ 2,476,806</u>