

# The Josselyn Center, NFP

Financial Statements

Years ended June 30, 2018 and 2017



THE  
JOSSELYN  
CENTER

At The Center of Mental Health and Hope

**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

To the Board of Directors  
The Josselyn Center, NFP  
Northfield, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Josselyn Center, NFP (the "Center"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 accounting principles generally accepted in the United States; this includes 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 financial position of The Josselyn Center, NFP as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



**Prior Period Financial Statements**

The financial statements, except for the statement of functional expenses, of The Josselyn Center, NFP as of June 30, 2017, were audited by other auditors, whose report dated October 12, 2017, expressed an unmodified opinion on those statements. The 2017 statement of functional expenses was subjected to the auditing procedures applied in the 2017 audit of the basic statements by other auditors, whose report on such information stated that it was fairly stated in all material respects to the 2017 financial statements as a whole.

Wipfli LLP

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Lincolnshire, IL  
December 27, 2018

# The Josselyn Center, NFP

## Statements of Financial Position

<i>As of June 30,</i>	2018	2017
<i>Assets</i>		
Current assets:		
Cash	\$ 87,339	\$ 54,595
Investments	323,971	215,471
Grants receivable	304,542	310,910
Pledges receivable	244,500	81,875
Pledges receivable - in-kind	39,870	-
Accounts receivable DHS	44,260	26,095
Client receivables (net of allowance of \$5,000 in 2018 and 2017)	197,010	255,753
Interest receivable	2,067	2,067
Prepaid expenses	41,322	78,842
Total current assets	1,284,881	1,025,608
Property and equipment:		
Land	89,007	36,877
Building and improvements	857,455	427,891
Equipment and furnishings	313,747	221,383
Total property and equipment	1,260,209	686,151
Less accumulated depreciation	425,022	390,686
Net property and equipment	835,187	295,465
Other assets		
Website (net of amortization of \$507 in 2018 and \$0 in 2017)	8,618	9,125
Pledges receivable long-term (net of allowance of \$25,660 in 2018 and \$8,650 in 2017)	341,254	164,659
Assets limited as to use:		
Donor designated	1,822,506	1,822,506
Board designated	277,836	267,941
Total other assets	2,450,214	2,264,231
<b>Total assets</b>	<b>\$ 4,570,282</b>	<b>\$ 3,585,304</b>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Lines of credit	\$ 232,335	\$ 336,446
Accounts payable and accrued liabilities	244,980	135,494
Total liabilities	477,315	471,940
Net assets:		
Unrestricted:		
Operating	(31,704)	152,233
Board designated endowment funds	277,836	267,941
Invested in property and equipment and website	843,805	304,590
Temporarily restricted	1,180,524	566,094
Permanently restricted endowment	1,822,506	1,822,506
Total net assets	4,092,967	3,113,364
<b>Total liabilities and net assets</b>	<b>\$ 4,570,282</b>	<b>\$ 3,585,304</b>

See accompanying notes to financial statements.

# The Josselyn Center, NFP

## Statements of Activities and Changes in Net Assets

Years Ended June 30,	2018				2017			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted			Restricted	Restricted	
<b>Public Support and Revenue:</b>								
Contributions	\$ 210,404	\$ 1,091,320	\$ -	\$ 1,301,724	\$ 167,666	\$ 522,172	\$ -	\$ 689,838
Client and education fees - third party pay	1,096,384	-	-	1,096,384	720,283	-	-	720,283
Client and education fees - self pay	114,787	-	-	114,787	101,032	-	-	101,032
Government grants	193,546	297,313	-	490,859	326,245	285,910	-	612,155
Investment income	51,798	-	-	51,798	46,874	-	-	46,874
Realized and unrealized gains on investments	86,837	-	-	86,837	160,221	-	-	160,221
Miscellaneous	-	-	-	-	1,610	-	-	1,610
Special events (net of expenses of \$107,222 in 2018 and \$83,955 in 2017)	233,333	-	-	233,333	257,866	-	-	257,866
In-kind contributions	132,674	-	-	132,674	-	-	-	-
United Way support	-	25,000	-	25,000	-	25,000	-	25,000
Net assets released from restriction:								
Expiration of time restrictions	322,722	(322,722)	-	-	519,693	(519,693)	-	-
Fulfillment of purpose restriction	476,481	(476,481)	-	-	-	-	-	-
<b>Total support and revenue</b>	<b>2,918,966</b>	<b>614,430</b>	<b>-</b>	<b>3,533,396</b>	<b>2,301,490</b>	<b>313,389</b>	<b>-</b>	<b>2,614,879</b>
<b>Expenses:</b>								
Program services:	1,934,678	-	-	1,934,678	1,558,742	-	-	1,558,742
Supporting services:								
Management and general	291,335	-	-	291,335	174,808	-	-	174,808
Fundraising	327,780	-	-	327,780	201,403	-	-	201,403
<b>Total supporting services</b>	<b>619,115</b>	<b>-</b>	<b>-</b>	<b>619,115</b>	<b>376,211</b>	<b>-</b>	<b>-</b>	<b>376,211</b>
<b>Total expenses</b>	<b>2,553,793</b>	<b>-</b>	<b>-</b>	<b>2,553,793</b>	<b>1,934,953</b>	<b>-</b>	<b>-</b>	<b>1,934,953</b>
Change in net assets	365,173	614,430	-	979,603	366,537	313,389	-	679,926
Net assets at beginning of year	724,764	566,094	1,822,506	3,113,364	358,227	252,705	1,822,506	2,433,438
<b>Net assets - end of year</b>	<b>\$ 1,089,937</b>	<b>\$ 1,180,524</b>	<b>\$ 1,822,506</b>	<b>\$ 4,092,967</b>	<b>\$ 724,764</b>	<b>\$ 566,094</b>	<b>\$ 1,822,506</b>	<b>\$ 3,113,364</b>

See accompanying notes to financial statements.

# The Josselyn Center, NFP

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 979,603	\$ 679,926
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	34,843	19,161
Bad debt expense	17,010	8,650
Receipt of in-kind contribution - property and equipment	(72,554)	-
Net realized gain on sale of investments	(20,787)	(53,022)
Net unrealized gain on investments	(66,050)	(107,199)
(Increase) decrease in grants receivables	6,368	(58,205)
Increase in accounts receivable DHS	(18,165)	(9,533)
(Increase) decrease in client receivables	58,743	(159,885)
Increase in pledges receivable	(356,230)	(255,184)
Increase in pledges receivable - in-kind	(39,870)	-
(Increase) decrease in prepaid expenses	37,520	(53,900)
Increase in accounts payable and accrued liabilities	109,486	44,277
<b>Total adjustments</b>	<b>(309,686)</b>	<b>(624,840)</b>
<b>Total cash flows provided by operating activities</b>	<b>669,917</b>	<b>55,086</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of land	(52,130)	-
Purchase of building and improvements	(429,564)	(121,733)
Purchase of equipment and furnishings	(19,810)	(10,700)
Purchase of website	-	(9,125)
Purchase of investments including expenses	(323,703)	(622,702)
Proceeds from sale of investments	292,145	583,792
<b>Total cash flows used in investing activities</b>	<b>(533,062)</b>	<b>(180,468)</b>
<b>Cash Flow From Financing Activities:</b>		
Net increase (decrease) on lines of credit	(104,111)	96,475
<b>Net increase (decrease) in cash</b>	<b>32,744</b>	<b>(28,907)</b>
<b>Cash, beginning of year</b>	<b>54,595</b>	<b>83,502</b>
<b>Cash, end of year</b>	<b>\$ 87,339</b>	<b>\$ 54,595</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for:		
Interest	\$ 12,183	\$ 8,364

See accompanying notes to financial statements.

**The Josselyn Center, NFP**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2018 (with comparative 2017 totals)**

	Supporting Services				2018		2017	
	Program Services	Management and General	Fundraising	Total	Total	%	Total	%
Salaries and consultants	1,422,380	164,027	225,918	389,945	1,812,325	70.9	1,422,877	73.5
Employee health insurance	97,194	95	(2,147)	(2,052)	95,142	3.7	57,710	3.0
Payroll taxes	81,293	11,844	10,440	22,284	103,577	4.1	83,899	4.3
Retirement contributions	19,654	6,344	920	7,264	26,918	1.1	20,741	1.1
Total salaries and related expenses	1,620,521	182,310	235,131	417,441	2,037,962	79.8	1,585,227	81.9
Board expenses	550	129	490	619	1,169	0.0	1,606	0.1
Social committee	1,019	1,403	765	2,168	3,187	0.1	300	0.0
Professional fees	69,661	25,988	10,552	36,540	106,201	4.2	60,362	3.1
Supplies	44,747	5,363	13,265	18,628	63,375	2.5	45,091	2.3
Printing	6,610	260	15,365	15,625	22,235	0.9	15,918	0.8
Telephone	17,161	636	3,390	4,026	21,187	0.8	19,140	1.0
Postage and shipping	1,827	90	3,843	3,933	5,760	0.2	5,490	0.3
Occupancy	45,502	6,631	9,051	15,682	61,184	2.4	41,776	2.2
Community education services	322	804	10	814	1,136	0.0	999	0.1
Local transportation	1,486	287	-	287	1,773	0.1	282	0.0
Membership dues	5,689	255	1,465	1,720	7,409	0.3	3,980	0.2
Equipment rent, repairs and maintenance	14,141	338	1,354	1,692	15,833	0.6	18,869	1.0
Charge card fees	-	15,970	-	15,970	15,970	0.6	13,683	0.7
Insurance	56,287	8,246	1,317	9,563	65,850	2.6	43,056	2.2
Staff development	2,756	5,315	-	5,315	8,071	0.3	3,694	0.2
Bad debt expense	-	-	17,010	17,010	17,010	0.7	8,650	0.4
Other	16,185	36,579	10,874	47,453	63,638	2.5	47,669	2.5
Total other expenses before depreciation	283,943	108,294	88,751	197,045	480,988	18.8	330,565	17.1
Depreciation of building and equipment	30,214	731	3,898	4,629	34,843	1.4	19,161	1.0
<b>2018 Total Expenses</b>	<b>1,934,678</b>	<b>291,335</b>	<b>327,780</b>	<b>619,115</b>	<b>2,553,793</b>	<b>100.0</b>	<b>1,934,953</b>	<b>100.0</b>
<b>2017 Total Expenses</b>	<b>1,558,742</b>	<b>174,808</b>	<b>201,403</b>	<b>376,211</b>	<b>1,934,953</b>	<b>100.0</b>		

**The Josselyn Center, NFP**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2017**

	Supporting Services			2017		
	Program Services	Management and General	Fundraising	Total	Total	%
Salaries and consultants	1,207,009	61,424	154,444	215,868	1,422,877	73.5
Employee health insurance	44,170	12,301	1,239	13,540	57,710	3.0
Payroll taxes	69,294	4,248	10,357	14,605	83,899	4.3
Retirement contributions	18,191	1,050	1,500	2,550	20,741	1.1
Total salaries and related expenses	1,338,664	79,023	167,540	246,563	1,585,227	81.9
Board expenses	1,606	-	-	-	1,606	0.1
Social committee	300	-	-	-	300	0.0
Professional fees	35,351	21,603	3,408	25,011	60,362	3.1
Supplies	39,399	2,985	2,707	5,692	45,091	2.3
Printing	4,876	252	10,790	11,042	15,918	0.8
Telephone	16,846	854	1,440	2,294	19,140	1.0
Postage and shipping	1,512	200	3,778	3,978	5,490	0.3
Occupancy	35,734	2,791	3,251	6,042	41,776	2.2
Community education services	999	-	-	-	999	0.1
Local transportation	216	66	-	66	282	0.0
Membership dues	2,750	955	275	1,230	3,980	0.2
Equipment rent, repairs and maintenance	17,171	661	1,037	1,698	18,869	1.0
Charge card fees	-	13,683	-	13,683	13,683	0.7
Insurance	34,646	8,410	-	8,410	43,056	2.2
Staff development	3,694	-	-	-	3,694	0.2
Bad debt expense	-	8,650	-	8,650	8,650	0.4
Other	8,115	33,810	5,744	39,554	47,669	2.5
Total other expenses before depreciation	203,215	94,920	32,430	127,350	330,565	17.1
Depreciation of building and equipment	16,863	865	1,433	2,298	19,161	1.0
<b>2017 Total Expenses</b>	<b>1,558,742</b>	<b>174,808</b>	<b>201,403</b>	<b>376,211</b>	<b>1,934,953</b>	<b>100.0</b>



# The Josselyn Center, NFP

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Organization**

The Josselyn Center, NFP (the "Center"), a not-for-profit corporation, is dedicated to providing mental health services that make lives better for their clients, their families and the community. The Center is accredited by CARF, the Commission on Accreditation of Rehabilitation Facilities, for adult and child and adolescent outpatient mental health programs.

#### **Basis of Accounting**

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-45. Under ASC 958-210-45, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include all of the support and revenue over which the Center has discretionary control, all of the expenses of the Center, and transfers from temporarily restricted net assets as time lapses or as funds are expended that meet the restrictions of donors.

Temporarily restricted net assets include all of the support and revenue of the Center which were accepted with donor restrictions for purpose or that are time restricted. Transfers are made from this fund to unrestricted net assets as funds are expended or time restrictions are met.

Permanently restricted net assets include funds received from donors with the stipulation that they be permanently retained by the Center in perpetuity and that only the income and/or use of the assets are available to the Center.

#### **Revenue and Expense Recognition**

Contributions, which include unconditional pledges, are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of the estimated future cash flows was 4.50% for pledges received in the years ended June 30, 2018 and 2017. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

# The Josselyn Center, NFP

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue and Expense Recognition** (Continued)

The Center reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

The Center recognizes client revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments.

For uninsured patients, the Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a provision for bad debts related to uninsured patients for the period the services are provided. This provision is offset by recoveries of amounts previously written off.

Gains and losses from investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

#### **Cash**

For purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash. The Center had no cash equivalents at the end of their fiscal year.

#### **Contributions and Grants**

Under FASB ASC 958, Not-for-Profit Entities, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Grants that are not specified by the donor for a particular fund or purpose are included as public support in unrestricted net assets.

#### **Grants, accounts and client receivables**

Grants and accounts receivable arise in the normal course of operations. It is the policy of the Center's management to review the outstanding accounts receivable on a regular basis as well as at year-end, review bad debt and other write-offs experienced in the past, and establish an allowance for doubtful accounts. The allowance for doubtful accounts at June 30, 2018 and 2017 was \$5,000.

Client receivables are recorded net of contractual adjustments and an allowance for doubtful accounts which reflects management's best estimate of the accounts that will not be collected.

# The Josselyn Center, NFP

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Investments**

The Center carries investments at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value.

#### **Property and Depreciation**

Land, building and improvements, and equipment and furnishings are recorded at cost. Major renewals and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are charged directly to expense. Depreciation is computed on the straight-line method over an estimated useful life of 15-40 years for the building and improvements and 3-15 years for equipment.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on estimates made by management.

#### **Income Taxes**

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

# The Josselyn Center, NFP

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Income Taxes** (Continued)

The Center is also exempt from Illinois sales taxes, Illinois real estate taxes and federal unemployment tax. The Center has elected the reimbursement method for Illinois unemployment tax and has established an estimate of the liability totaling \$27,212 and \$26,788 for the years ended June 30, 2018 and 2017, respectively. The Center had no unrelated business income for the years ended June 30, 2018 and 2017 and no income tax provisions have been recorded.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

#### **In-kind contributions**

Contributions of donated non-cash assets and services are recorded at their fair value in the period received or pledged. In the year ended June 30, 2018, the Center received \$132,674 of in-kind contributions or in-kind pledges in the form of equipment and furnishings and design services.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Center receives an insignificant amount of donated services from unpaid volunteers and no amounts have been recorded.

#### **Contingencies**

The Center is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its activities. See Note 15 for details regarding a particular legal matter.

Under Section 1404A of Illinois Unemployment Act, the Center elected to be a reimbursable employer by agreeing, in lieu of paying unemployment contributions, to reimburse the State of Illinois for the actual amount of regular benefits and one-half the amount of extended benefits paid to its former employees who meet the eligibility requirements to receive benefits. The future amounts required to be paid to the State cannot be readily predicted. The amount of reimbursement would depend on the number of the Center's employees who become unemployed, the duration of their unemployment, the number of such employees that will file a claim for benefits, and the amount of weekly and total benefits paid to them. The Center made an effort to evaluate potential liability based on historical claims for unemployment as well as their knowledge of circumstances of termination or resignation of prior employees. Management accrued \$27,212 and \$26,788 as of June 30, 2018 and 2017, respectively. The actual claims paid out in the future may differ from these estimates.

# The Josselyn Center, NFP

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Center believes that this will have no impact on its financial statements or accounting policies.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* (Update). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without; requires all nonprofits to report expenses by nature and function; and improves information presented in financial statements and notes that it is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning December 15, 2018. Early application of the amendments in this Update is permitted. The Center has not elected to early implement the amendments.

In June 21, 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU, as amended, clarified its guidance for not-for-profit organizations to help determine when a contribution to a not-for-profit should be accounted as a contribution or an exchange and also decide when a contribution has conditions attached to it. The ASU provide criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. ASU No. 2018-08 is effective for nonpublic entities for annual periods beginning after December 15, 2018.

#### **Reclassifications**

Several reclassifications have been made to the prior year balances to conform to the current year presentation. Such reclassifications were made for comparative purposes only, and do not restate the prior year financial statements.

#### **Subsequent Events**

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 27, 2018, which is the date the financial statements were available to be issued.

# The Josselyn Center, NFP

## Notes to Financial Statements

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### Note 2: Reimbursement Arrangements With Third-Party Payors

The Center has agreements with third-party payors that provide for reimbursement at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

*Medicare* - Services are reimbursed primarily on a prospective payment methodology based upon a patient classification system, or fixed fee schedules.

*Medicaid* - Services are reimbursed primarily based upon prospectively determined rates.

*Other payors* - The Center has entered into payment agreements with commercial insurance carriers and health maintenance organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determines daily rates.

### Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violation of these laws and regulations could result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from patient services.

### Note 3: Concentration of Credit Risk

The Center maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. Investments and assets limited as to use are not insured. The Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

The Center's concentration of credit risk relating to client accounts receivable is limited by the diversity and number of patients and payors. Clients accounts receivable consist of amounts due from commercial insurance companies, governmental program, private pay and other third-parties.

The mix of client revenue was as follow:

	2018	2017
Medicare	10 %	18 %
Medicaid	11 %	11 %
Managed care plans, commercial, and other payors	70 %	60 %
Patients	9 %	11 %
Total	100 %	100 %

# The Josselyn Center, NFP

## Notes to Financial Statements

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### Note 4: Description of Net Assets

#### Unrestricted Net Assets

Unrestricted net assets include all resources over which the Board of Directors has discretionary control. All unrestricted revenue, investment income, and expenses of the Center are included in the revenue and expenses of unrestricted net assets. This fund also includes Board designated net assets and all fixed assets of the Center.

Board designated net assets are designated by the Board of Directors, and thus may be expended only in accordance with purposes designated by the Board of Directors. Such Board designations are revocable by Board action. Board designated net assets include the following at June 30, 2018 and 2017:

	2018	2017
Leo T. Murphy Endowment Net Assets - established from the proceeds of a bequest. The Leo T. Murphy endowment net assets function like an endowment fund, to be held for the purpose of defraying, in whole or in part, current operating contributions to a tax deferred annuity plan for employee retirement. Each year the unexpended investment income or loss including gains or losses is added to or deducted from these net assets.	\$ 174,486	\$ 164,591
Dottie Palombo Children and Adolescent Service Endowment Net Assets (Dottie Palombo Endowment Net Assets) - established to accept a gift from Dottie Palombo and the Palombo family, in order to support clinical mental health services to persons under eighteen years of age. Additional contributions shall not be considered earnings and shall remain as capital. The net assets of the Endowment shall not be loaned to any person or entity, nor used to obtain a loan.	103,350	103,350
<b>Total</b>	<b>\$ 277,836</b>	<b>\$ 267,941</b>

#### Temporarily Restricted Net Assets

Temporarily restricted net assets include all resources which are temporarily restricted by donors or which are designated for future periods. Expenditures that meet the donor restrictions are charged to unrestricted net assets and transfers are made to unrestricted net assets as net assets are released from restrictions.

The restrictions on net assets at the end of June 30, 2018 and 2017 includes funds raised through the Capital Campaign, a drive to raise funds for capital improvements, expansion of services and building the reserve.

In February 2018, the Center acquired the land and building that it uses as administrative offices; renovation of the building was completed in July 2018. The Center solicited contributions for the facility through the Capital Campaign.

# The Josselyn Center, NFP

## Notes to Financial Statements

### Note 4: Description of Net Assets (Continued)

The Center also intends to renovate their current facility by constructing an elevator and creating accessible restrooms. Part of the Capital Campaign funds will also be used to implement tele-psychiatry and expanding the on-site living room therapy program. The Center seeks to partner with Lake County agencies to make mental health services accessible. Additionally, the management would like to rebuild the reserve through the Capital Campaign funds.

Net assets were temporarily restricted as follows at June 30, 2018 and 2017:

	2018	2017
Time restricted	\$ 930,166	\$ 310,910
Naming rights	100,000	-
Capital campaign	150,358	255,184
Total	\$ 1,180,524	\$ 566,094

### Permanently Restricted Net Assets

Permanently restricted net assets are an endowment growth fund and consist of the principal amount of contributions accepted with the stipulation that the principal be maintained in perpetuity and the income including gains will be transferred to the unrestricted net assets for operations. The income is accounted for in the unrestricted net assets.

Net assets were permanently restricted as follows at June 30, 2018 and 2017:

	2018	2017
Halsey Earl Paronto, Grace K. Paronto and Halsey Earl Paronto, Jr. Memorial Endowment Net Assets - An endowment bequest with the principal donated amount restricted by donor. Only income earned from the investment of principal may be used for support of operations. Investment earnings of \$109,577 and \$179,150 are included on the statements of activities and changes in net assets for the years ended June 30, 2018 and 2017, respectively.	\$ 1,822,506	\$ 1,822,506
Total	\$ 1,822,506	\$ 1,822,506



# The Josselyn Center, NFP

## Notes to Financial Statements

### Note 5: Investments and Assets Limited as to Use

The investments, except for corporate bonds, itemized below are considered Level 1 investments which are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets. Corporate bonds are considered Level 2 and are valued using quotes from pricing vendors based on the recent trading activity and other observable market data.

The following are the fair values and original cost of investments and assets limited as to use as of June 30, 2018 and 2017:

	June 30, 2018		
	Cost	Fair Value	Unrealized Gain (Loss)
Cash	\$ 84,073	\$ 84,073	\$ -
Common stocks	333,891	433,202	99,311
US equity funds	548,940	634,590	85,650
Fixed income funds	872,519	856,352	(16,167)
Closed end equity ETF	17,885	20,838	2,953
Mutual funds alternative	379,901	395,258	15,357
<b>Total</b>	<b>\$ 2,237,209</b>	<b>\$ 2,424,313</b>	<b>\$ 187,104</b>

	June 30, 2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Cash	\$ 129,101	\$ 129,101	\$ -
Corporate bonds	146,354	128,319	(18,035)
Common stocks	322,344	380,950	58,606
US equity funds	490,078	546,814	56,736
Fixed income funds	630,002	629,109	(893)
Closed end equity ETF	115,168	120,119	4,951
Mutual funds alternative	351,823	371,506	19,683
<b>Total</b>	<b>\$ 2,184,870</b>	<b>\$ 2,305,918</b>	<b>\$ 121,048</b>

# The Josselyn Center, NFP

## Notes to Financial Statements

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### Note 5: Investments and Assets Limited as to Use (Continued)

Investment return for investment securities is summarized as follows:

<i>Years Ended June 30,</i>	2018	2017
Investment income	\$ 51,798	\$ 46,874
Realized gains	20,787	53,022
Unrealized gains	66,050	107,200
<b>Total investment return</b>	<b>138,635</b>	<b>\$ 207,096</b>
<b>Less investment fees</b>	<b>(21,215)</b>	<b>(21,001)</b>
<b>Total investment return net of fees</b>	<b>\$ 117,420</b>	<b>\$ 186,095</b>

### Note 6: Client Fees

Consistent with the mission of the Center, care is provided to clients regardless of their ability to pay, including providing services to those persons who not afford health insurance because of inadequate resources or who are underinsured. Clients who meet certain criteria for charity care, are provided care without charge or at a reduced rate.

In addition, the Center provides discounts from established charges to self-pay patients without regard to ability to pay and considers these discounts a part of its community benefit. Health care services to patients under government programs, such as Medicaid, are also considered part of the Center's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than the costs of providing care.

For the years ended June 30, 2018 and 2017, respectively, 90% and 88% of the clients paid a reduced rate. Client fees range from \$0 to \$130 per hour.

### Note 7: Endowment Funds

Endowment funds consist of a donor-restricted endowment fund and funds designated by the Board of Directors to function as endowments.

The Board of Directors has interpreted Illinois's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. The Center doesn't have a formal spending policy, however, it classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund.

# The Josselyn Center, NFP

## Notes to Financial Statements

### Note 7: Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. If the market value of the permanently restricted net asset at year-end is below the original fair value, the deficit is recorded as a temporarily restricted unrealized loss.

Endowment funds are invested in cash, equity, bonds and fixed income mutual funds. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

Endowment net asset components of change by type of fund were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	\$ 253,211	\$ -	\$ 1,822,506	\$ 2,075,717
Net investment return:				
Interest and dividend income	5,631	-	40,549	46,180
Realized gain on sale of investments	6,370	-	45,867	52,237
Unrealized gain on investments	12,878	-	92,734	105,612
Net investment return	24,879	-	179,150	204,029
Appropriation of endowment assets for expenditures	(10,149)	-	(179,150)	(189,299)
Endowment net assets at June 30, 2017	267,941	-	1,822,506	2,090,447
Net investment return:				
Interest and dividend income	6,019	-	40,941	46,960
Realized gain on sale of investments	2,415	-	16,430	18,845
Unrealized gain on investments	7,675	-	52,206	59,881
Net investment return	16,109	\$ -	109,577	125,686
Appropriation of endowment assets for expenditures	(6,214)	-	(109,577)	(115,791)
Endowment net assets at June 30, 2018	\$ 277,836	\$ -	\$ 1,822,506	\$ 2,100,342

# The Josselyn Center, NFP

## Notes to Financial Statements

### Note 8: Pledges Receivable

Pledges receivable are due as follows at June 30, 2018 and 2017:

	2018	2017
2018	\$ -	\$ 81,875
2019	244,500	75,957
2020	184,211	52,082
2021	153,385	41,077
2022	28,479	4,193
2023	839	-
<b>Total</b>	<b>611,414</b>	<b>255,184</b>
<b>Allowance for uncollectible amounts</b>	<b>(25,660)</b>	<b>(8,650)</b>
<b>Net pledges receivable</b>	<b>\$ 585,754</b>	<b>\$ 246,534</b>

Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of the estimated future cash flows was 4.5% for pledges received in years ended June 30, 2018 and 2017. The discount will be recognized as contribution revenue in future fiscal years as the discount is amortized over the duration of the contributions. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Pledges receivable consist of following at June 30, 2018 and 2017:

	2018	2017
Amounts due in:		
Less than one year	\$ 244,500	\$ 81,875
One to five years	393,500	188,125
<b>Total pledges receivable</b>	<b>638,000</b>	<b>270,000</b>
Less: discount	(26,586)	(14,816)
Less: Allowance for doubtful accounts	(25,660)	(8,650)
Less: pledges receivable - current	(244,500)	(81,875)
<b>Pledges receivable - noncurrent</b>	<b>\$ 341,254</b>	<b>\$ 164,659</b>

# The Josselyn Center, NFP

## Notes to Financial Statements

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### Note 9: Conditional Pledges

The following pledges are contingent upon completion of the elevator construction and therefore not reflected in the financial statements at June 30:

	2018	2017
Cook County Community Development Block Grant	\$ 200,000	\$ -
Civic Foundation	10,000	-
<b>Total</b>	<b>\$ 210,000</b>	<b>\$ -</b>

The management plans to complete the elevator project in fiscal year June 30, 2019. Upon construction completion and submission of the receipts the conditional pledges will be recognized as revenue.

### Note 10: Lines of Credit

The Center has a bank line of credit with a maximum borrowing limit of \$200,000 bearing interest at the prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively) plus .75%. The agreement was entered into on June 22, 2005. The balances outstanding as of June 30, 2018 and 2017 were \$60,000 and \$136,461, respectively.

The Center has an additional bank line of credit with a maximum borrowing limit of \$800,000 bearing interest at the Lender's Reference Rate (5.0% and 4.25% at June 30, 2018 and 2017, respectively) less .50%. The balances outstanding at June 30, 2018 and 2017 were \$172,335 and \$199,985, respectively. The loan is collateralized by the entire amount in the investments account. All outstanding principal and any accrued outstanding interest are due on February 5, 2020.

### Note 11: Retirement Plan

The Center contributes to a tax-deferred annuity (TOA). Annual contributions to the 403(b) are equal to 4% of gross compensation for salaried employees having over 12 months of full-time consecutive service or 1000 hours of service. The retirement expense for June 30, 2018 and 2017, totaled \$26,918 and \$20,741, respectively.

### Note 12: In-kind contributions

For the year ended June 30, 2018, \$132,674 of equipment and furnishings and design services is included as contributions in the accompanying statement of activities and changes in net assets. The total in-kind contributions consists of \$72,554 of equipment and furnishing received, \$20,250 of design services and \$39,870 of in-kind pledge in a form of furnishings.

### Note 13: Contracts Commitments

Subsequently to June 30, 2018, the Center entered into a construction contract for a renovation of one of the buildings and the parking lot. Total commitments under contracts are \$828,423. As of the date of the report, \$828,423 of the contract, had been billed and \$521,910 was paid.

# The Josselyn Center, NFP

## Notes to Financial Statements

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### Note 13: Contracts Commitments (Continued)

The renovation of the building and parking lot will be completed in early fiscal year 2019.

### Note 14: Program Services

The following programs are reflected in the statement of activities for the year ended June 30, 2018:

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Therapy	\$ 1,258,568
Psychiatry	522,704
Living Room	127,554
Camp Neeka	25,852
<hr/>	
Total	<u>\$ 1,934,678</u>

### Note 15: Loss Contingencies

Subsequently to June 30, 2018, a patient commenced litigation against the Center and Center's independent contractor, seeking damages resulting from alleged adverse effects of a drug prescribed by the Center's independent contractor. The Center is unable to estimate reasonably the amount of the loss. The suit asks for damages in excess of \$10,000,000 and the outside counsel for the Center has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. The Center is insured for malpractice on claims-made basis covering losses of \$1,000,000 per occurrence, and a \$3,000,000 aggregate. As of the date of the report, no outstanding amount is due for legal services related to the litigation, since the case was filed on November 5, 2018. The malpractice insurance covers defense costs up to \$100,000.

## **Supplementary information**



Wipfli LLP  
100 Tri State International  
Suite 300  
Lincolnshire, Illinois 60069  
847.941.0100  
www.wipfli.com

## Independent Auditor's Report on Supplementary Information

Board of Directors  
The Josselyn Center NFP  
Northfield Illinois

We have audited the financial statements of the Josselyn Center NFP as of and for the year ended June 30, 2018, and have issued our report thereon dated December 27, 2018, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Grant Report" for the State of Illinois fiscal year ended June 30, 2018 is presented for purposes of additional analysis, as required by the Illinois Department of Human Services, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*Wipfli LLP*

December 27, 2018  
Lincolnshire, Illinois





**GRANT ALLOWABLE COST SUMMARY**

GRANT REPORT for the period July 1 through June 30, 2018

AGENCY NAME: The Josselyn Center

FEIN: 362217996

		IDHS GRANT - FUNDED SERVICES					ALL OTHER PROGRAMS	MANAGEMENT & GENERAL	TOTAL
		PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5			
PROGRAM NAME/NUMBER/ ONTRACT NUMBER/OTHER IDENTIFICATION									
A	DIRECT PROGRAM EXPENSES	510 127,554.22	580 33,281.94				2,101,621.94	291,335.00	2,553,793.10
B	ALLOCATE MANAGEMENT AND GENERAL COSTS (NOTE 1)	12,349.03	35,60.64				275,425.33	- 291,335.00	-0-
C	SUBTOTAL A & B	139,903.25	36,842.58				2,377,047.27	-0-	2,553,793
D	SUBTRACT UNALLOWABLE COST PER PAGE 2	0.00	0.00						
E	ADD OTHER APPROVED USES (ATTACH DOCUMENTATION)	0.00	0.00						
F	TOTAL ALLOWABLE COSTS	139,903.25	36,842.58						
G	SPECIAL PROVISIONS (SEE INSTUCTIONS)	0.00	0.00						
H	INTEREST EARNED (SEE INSTRUCTIONS)	0.00	0.00						

NOTE 1: Management and General costs are allocated based on:  direct salaries,  total direct costs,  other basis (attach explanation).

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>



**UNALLOWABLE COST REPORT**

Agency Name: The Josselyn Center

FEIN: 362217996

	IDHS GRANT-FUNDED SERVICES				
	PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5
Program Name/Number/Contract Number	The Living Room	Crisis Staffing			
Unallowable Costs (see instructions)					
Compensation of Governing Body	0.00	0.00			
Entertainment	0.00	0.00			
Associate Dues	0.00	0.00			
Meetings and Conventions	0.00	0.00			
Fundraising	0.00	0.00			
Bad Debt	0.00	0.00			
Charity and Grants	0.00	0.00			
Unallowable Interest	0.00	0.00			
Inventories	0.00	0.00			
Depreciation of IDHS - Funded Assets	0.00	0.00			
Cost of Production	0.00	0.00			
In-Kind Expenses	0.00	0.00			
Alcoholic Beverages	0.00	0.00			
Personal Automobile	0.00	0.00			
Fines and Penalties	0.00	0.00			
Personal Use Items	0.00	0.00			
Lobbying	0.00	0.00			
Unallowable Relocation	0.00	0.00			
Gratuities	0.00	0.00			
Political Contributions	0.00	0.00			
Related Party Transactions	0.00	0.00			
Costs Where a Conflict of Interest Exists	0.00	0.00			
Unallowable Cost if Program is Federally Funded or Cost Restricted by Contract (See Instructions)					
Explain:					
Explain:					
Total Unallowable Costs (to line D of Grant Report) - See below if None					
If no unallowable costs are listed, sign and date as follows: I certify that no unallowable costs are included in either direct costs or allocated Management and General costs on the Grant Report.					

Printed Name: Kelly Schuler

Title: Director of Operations

Signature: \_\_\_\_\_

Date: 12/27/2018

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>