TIGHE, KRESS & ORR
Certified Public Accountants

March 24, 2023

Board of Directors
The Josselyn Center, NFP
Northfield, Illinois

Dear Greg:

Enclosed please find two bound copies of the audited financial statement for the year ended June 30, 2022. We have also emailed you a copy. If you have any questions or comments, please feel free to contact us.

Very truly yours,

Tighe Kress & Orr, PC

Tighe, Kress & Orr, PC.
Certified Public Accountants

2001 LARKIN AVENUE • SUITE 202 • ELGIN, IL 60123 • P: 847.695.2700 • F: 847.695.2748 • WWW.TKOCPA.COM
CHICAGO ELGIN ST. CHARLES

The Josselyn Center, NFP

Audited Financial Statements

For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

To the Board of Directors of
The Josselyn Center, NFP

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Josselyn Center, NFP (the "Center") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year 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 financial position of the Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Center 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 and *Government 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 and *Government 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 the Center'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 the Center'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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of Operating Expenses, and Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report, are presented for purposes of additional analysis and are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Tighe Kress & Orr, PC

Elgin, Illinois
March 24, 2023

The Josselyn Center, NFP
Statement of Financial Position
June 30, 2022

Assets		
Current Assets:		
Cash and cash equivalents	$	264,432
Investments, unrestricted		433,283
Grants receivable		925,687
Client fees receivable, net		1,744,900
Current portion of pledges receivable		272,477
Interest receivable		2,530
Employee retention tax credit receivable		548,615
Prepaid expenses		336,886
Total Current Assets		4,528,810
Long-Term Assets:		
Property and equipment, net		9,289,963
Website		66,755
Pledges receivable, net of current portion, discount, and allowance		263,599
Membership interest		50,000
Investments limited as to use:		
Donor-designated		1,822,506
Board-designated		336,041
Total Long-Term Assets		11,828,864
Total Assets	$	16,357,674
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$	534,992
Accrued expenses		1,099,595
Line of credit		1,700,000
Current portion of deferred rent		16,315
Current portion of notes payable		1,540,000
Total Current Liabilities		4,890,902
Long-Term Liabilities:		
Deferred rent, net of current portion		84,097
Notes payable, net of current portion		2,596,673
Total Long-Term Liabilities		2,680,770
Net Assets:		
Without donor restrictions		6,863,496
With donor restrictions		1,922,506
Total Net Assets		8,786,002
Total Liabilities and Net Assets	$	16,357,674

The accompanying notes are an integral part of the financial statements.

The Josselyn Center, NFP
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	$ 1,068,933	$ 1,848,079	$ 2,917,012
Client and education fees - third party pay	7,775,087	-	7,775,087
Government grants	1,873,619	1,157,994	3,031,613
Payroll Protection Program grant	458,900	-	458,900
Employee retention tax credit	548,615	-	548,615
Special events (net of expenses of $12,365)	97,307	-	97,307
Rental income	38,450	-	38,450
United Way support	45,857	-	45,857
Realized/unrealized gains (losses), net of fees	(329,811)	-	(329,811)
Other income	37,166	-	37,166
Net assets released from restrictions	4,618,953	(4,618,953)	-
Total Revenues, Gains, and Other Support	16,233,076	(1,612,880)	14,620,196
Expenses:			
Program services	10,471,189	-	10,471,189
Management and general	2,845,389	-	2,845,389
Fundraising	797,442	-	797,442
Total Expenses	14,114,020	-	14,114,020
Change in Net Assets	2,119,056	(1,612,880)	506,176
Net Assets, Beginning of Year	4,744,440	3,535,386	8,279,826
Net Assets, End of Year	$ 6,863,496	$ 1,922,506	$ 8,786,002

The accompanying notes are an integral part of the financial statements.

The Josselyn Center, NFP
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Support Total	Total Expense
Expenses:					
Personnel:					
Salaries	$ 6,989,593	$ 1,899,316	$ 532,298	$ 2,431,614	$ 9,421,207
Payroll taxes	453,411	123,208	34,530	157,738	611,149
Bad debt	5,906	1,605	450	2,055	7,961
Professional fees	267,215	72,611	20,350	92,961	360,176
Supplies	261,497	71,058	19,914	90,972	352,469
Printing	19,192	5,215	1,462	6,677	25,869
Advertising	104,707	28,453	7,974	36,427	141,134
Telephone	97,569	26,513	7,430	33,943	131,512
Postage and shipping	4,106	1,116	313	1,429	5,535
Depreciation and amortization	227,831	61,910	17,351	79,261	307,092
Occupancy	605,220	164,459	46,091	210,550	815,770
Property tax expense	117,621	31,962	8,958	40,920	158,541
Transportation	4,112	1,117	313	1,430	5,542
Meals	25,594	6,955	1,949	8,904	34,498
Membership dues	19,625	5,333	1,495	6,828	26,453
Billing and credentialing	96,948	26,344	7,383	33,727	130,675
Equipment repairs and maintenance	8,515	2,314	648	2,962	11,477
Bank charges	1,989	541	152	693	2,682
Insurance	131,095	35,623	9,984	45,607	176,702
Retirement plan expense	96,332	26,177	7,336	33,513	129,845
Staff development	62,993	17,117	4,797	21,914	84,907
Interest expense	105,261	28,603	8,016	36,619	141,880
Mental health first aid	31,967	8,687	2,434	11,121	43,088
Employee health insurance	489,387	132,984	37,270	170,254	659,641
Miscellaneous	243,503	66,168	18,544	84,712	328,215
Total Expenses	$ 10,471,189	$ 2,845,389	$ 797,442	$ 3,642,831	$ 14,114,020

The accompanying notes are an integral part of the financial statements.

The Josselyn Center, NFP
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities:		
Change in net assets	$	506,176
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization		307,092
Bad debt expense		7,961
Net unrealized loss on investments		492,752
Changes in operating assets and liabilities:		
Grants receivable		(174,184)
Client fees receivable		(1,376,984)
Pledges receivable		697,265
Employee retention tax credit receivable		(548,615)
Prepaid expenses		(114,877)
Accounts payable		384,290
Accrued expenses		423,228
Deferred rent		13,695
Cash Provided by Operating Activities		617,799
Cash Flows from Investing Activities:		
Purchase of property and equipment		(5,204,423)
Purchase of investments		(20,742)
Reinvested investment earnings		(76,398)
Proceeds from the sale of investments		372,304
Cash Used in Investing Activities		(4,929,259)
Cash Flows from Financing Activities:		
Proceeds from line of credit		1,700,000
Proceeds from notes payable		3,800,000
Repayments on notes payable		(1,043,327)
Receipt of refund - Payroll Protection Program		26,727
Payroll Protection Program loan forgiveness		(458,900)
Cash Provided by Financing Activities		4,024,500
Net Decrease in Cash and Cash Equivalents		(286,960)
Cash and Cash Equivalents, Beginning of Year		551,392
Cash and Cash Equivalents, End of Year	$	264,432
Supplementary Cash Flow Information:		
Interest paid	$	141,880

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Activities
The Josselyn Center, NFP. (the "Center") is an Illinois nonprofit corporation that provides 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, child, and adolescent outpatient mental health programs. Major sources of support come primarily from client fees, third-party payors, Federal and State grants, and contributions.

Basis of Accounting
The financial statements of the Center have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations. Revenues are recognized as they are earned and expenses as they are incurred.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASU 2016-14, the Center is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include undesignated and board-designated sources with no legal donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed or legal restrictions, which will either be met by the Center's actions, the passage of time, or are perpetual in nature. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restrictions are met or have expired. These reclassifications are reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Center adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. Additionally, the Center applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Center's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Center adopted this update on a prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Center's financial statements were examined in conjunction with one another. Certain of the Center's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. The Center reassessed the nature of its revenue producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08. As a result, certain arrangements that had been classified as exchange transactions in previous years were now concluded to be contributions under ASU 2018-08.

Note 1 - Summary of Significant Accounting Policies (continued)

The Center recognizes revenues from exchange transactions, primarily client and education fees and special events, as the services are provided. Client and education fee revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing client care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Revenue is recognized at a point in time when counseling services are provided.

The Center determines the transaction price based on contractual rates and implicit price concessions for the services rendered. Consistent with the mission of the Center, discounts are provided from established charges to uninsured or self-pay clients on a sliding fee scale and these discounts are considered a part of the Center’s community benefit. Clients who meet certain criteria for charity care are provided care without charge or at a reduced rate. On the basis of historical experience, a significant portion of the Center’s uninsured clients will be unable or unwilling to pay for the services provided. Thus, the Center records a price concession as reduction of fee revenue related to uninsured clients for the period the services are provided. This concession is offset by recoveries of amounts previously written off. Client fees range from $19 to $130 per hour. For the year ended June 30, 2022, 88% of the clients paid a reduced rate.

In addition, 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.

Client fees receivables on the Statement of Financial Position represent receivable from contracts with customers at June 30, 2022.

In the following table, revenue from contracts with customers is disaggregated by major service lines and timing of revenue recognition:

Major revenue sources		
Client and education fees - third party pay	$	7,775,087
Special events, net of expenses		97,307
	$	7,872,394

Timing of revenue recognition		
Services transferred at a point in time	$	7,872,394
Services transferred over time		-
	$	7,872,394

Note 1 - Summary of Significant Accounting Policies (continued)

The rest of the Center's revenue, which are generated from investment activities, contributions, government grants, rental income, and interest income are not from contracts with customers. Total revenue from these sources were $6,747,802 for the year ended June 30, 2022.

Contributions and Grants

Contributions, which include unconditional pledges, are recognized as revenues in the period received or promised. 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 4.08% for pledges received in the year ended June 30, 2022. 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 allowance for doubtful pledges was $25,660 as of June 30, 2022.

Pledges receivable are due as follows at June 30, 2022:

2023	$ 272,477
2024	130,000
2025	130,000
2026	50,000
Total	582,477
Less: Pledge discount	(20,741)
Less: Allowance for uncollectible amounts	(25,660)
Pledges receivable, net	$ 536,076

Pledges receivable consist of the following at June 30, 2022:

Amounts due in:	
Less than one year	$ 272,477
One to five years	310,000
Total pledges receivable	582,477
Less: Discount	(20,741)
Less: Allowance for doubtful accounts	(25,660)
Less: Pledges receivable - current	(272,477)
Pledges receivable - noncurrent	$ 263,599

Note 1 - Summary of Significant Accounting Policies (continued)

Conditional contributions are recorded when the conditions have been met. All contributions are considered net assets without donor restrictions unless specifically restricted by the donor. Grants and other contributions are reported as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction and reported in the statement of activities as net assets released from restrictions. Contributions and grants that are met in the same period as receipt are reported as support without donor restrictions.

In-kind Contributions
Contributions of donated non-cash assets and services are recorded at their fair value in the period received or pledged. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills that 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.

On July 1, 2021, the Center elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities and Changes in Net Assets, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact of the financial statements, with the exception of increased disclosure.

Functional Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents
The Center defines cash for the purposes of reporting cash flows as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Center maintains checking accounts at a local bank where deposits are insured up to $250,000 by the FDIC. At June 30, 2022 the Center did maintain balances in excess of the insured limits. Management has evaluated the frequency and amount over the limit, and based on these considerations, does not consider this to be a risk. Cash at June 30, 2022 exceeded federally insured limits by $169,152.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants and Accounts 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 Center carries its accounts receivable at the outstanding principal balance adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Center's historical bad debt experience, the aging of the receivables, and on management's judgment. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. At June 30, 2022 there was no allowance deemed necessary.

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 Statement of Activities and Changes in Net Assets.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions 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 investment assets are recorded at fair value at the end 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 Equipment

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 five to forty years for the building and improvements and three to ten years for equipment. Website costs are amortized using the straight-line method over an estimated useful life of three years.

Impairment of Long-Lived Assets

The Center reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use the asset and its fair value are less that the carrying amount of that asset. The Center has not recognized any impairment of long-lived assets during the year ended June 30, 2022.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Rent
The Center has two lease agreements that provide for rent escalations during the lease terms and provided for an upfront tenant improvement allowance of approximately $63,000. The Center records rent expense on the straight-line basis over the lease terms. The difference between the amounts incurred as rent expense and rental payments is reflected as deferred rent. Deferred rent was $97,821 at June 30, 2022.

Liquidity
The Center has $4,191,924 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 $264,432, investment of $433,283, and receivables of $3,494,209. Financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date amount to $1,922,506.

The Center's liquidity policy is to maintain financial assets available for general expenditures to meet at least four months of normal operating expenses, depending on planned growth and program development initiatives. Financial assets primarily consist of cash on hand, investments, and various current receivables. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Amounts not available also include board-designated investments that can be drawn upon if the governing board approves that action. To help manage unanticipated liquidity needs for the year ended June 30, 2022, the Center has a committed line of credit with maximum borrowing limits of $1,700,000. As of June 30, 2022 the balance owed on the line of credit was $1,700,000.

Income Taxes
The Center is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. The Center is also exempt from Illinois sales taxes, Illinois real estate taxes, and federal unemployment tax. The Center elected the reimbursement method for Illinois unemployment tax and has established an estimate of the liability totaling $80,544 at June 30, 2022. The Center has no unrelated business income for the year ended June 30, 2022, and no income tax provisions have been recorded.

Management has analyzed the tax positions taken by the Center, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Note 1 - Summary of Significant Accounting Policies (continued)

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 12 for details regarding a particular legal matter.

Under Section 1404A of the 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 $80,544 as of June 30, 2022. The actual claims paid out in the future may differ from these estimates.

Pending Accounting Changes
In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities and Changes in Net Assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statement of Financial Position. The reporting of lease expenses in the Statement of Activities and Changes in Net Assets and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Center's year beginning after June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

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.

Note 2 – Reimbursement Arrangements with Third-Party Payors (continued)

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 under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determines daily rates.

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 – Description of Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions include all resources over which the Board of Directors has discretionary control. All revenue without donor restrictions, investment income, and expenses of the Center are included in the revenue and expenses under the without donor restrictions class. 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, 2022:

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.	$	221,160
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, the fund is restricted to board approved uses. 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.		114,881
Total	$	336,041

Note 3 – Description of Net Assets (continued)

Net Assets with Donor Restrictions
Net assets with donor restrictions include all resources which are restricted by donors or which are designated for future periods. Expenditures that meet the donor restrictions are charged to assets without donor restrictions and reflected in the Statement of Activities and Changes in Net Assets as releases from restrictions.

Net assets with donor restrictions were as follows at June 30, 2022:

Black, Indigenous, and People of Color Scholarship Initiative	$	100,000
Halsey Earl Poronto, Grace K. Poronto, and Halsey Earl Poronto, Jr. Memorial Endowment Net Assets		1,822,506
Total	$	1,922,506

The Halsey Earl Poronto, Grace K. Poronto, and Halsey Earl Poronto, Jr. Memorial Endowment Net Assets is an endowment bequest with the principal donated amount restricted by the donor. Only income earned from the investment of principal may be used for support of operations. Investment earnings of $160,565 are included on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

Note 4 – Investments

The Financial Accounting Standards Board ("FASB") Codification 820, Fair Value Measurements, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Note 4 – Investments (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observables inputs and minimize the use of unobservable inputs.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Center. The Center considers observable data to be market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the Center's perceived risk of that investment or the categorization of the investment portfolio held by that investment.

The investments 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.

The following are the fair values and original cost of investments and assets limited as to use as of June 30, 2022:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash	$ 35,832	$ 35,832	$ -
Equities	1,126,943	1,401,056	274,113
Fixed income funds	1,176,810	1,125,669	(51,141)
Mutual funds alternative	29,573	29,273	(300)
Total	$ 2,369,158	$ 2,591,830	$ 222,672

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 – Investments (continued)

Net investment return for investment securities is summarized as follows:

Interest and dividend income	$	78,480
Realized gains		112,795
Unrealized loss on investment		(492,752)
Investment fees		(28,334)
Total investment losses	$	(329,811)

Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30, 2022:

		Cost	Useful Life in Years
Non-depreciable:			
Land	$	89,007	
Depreciable:			
Buildings and building improvements		9,593,573	39
Furniture and equipment		720,258	5-7
		10,402,838	
Less: accumulated depreciation		(1,112,875)	
Property and Equipment, net	$	9,289,963	

Depreciation expense for the year ended June 30, 2022 was $307,092.

Note 6 – Line of Credit

The Center obtained a working capital line of credit with a maximum borrowing limit of $1,700,000. The term of the Center's line of credit with the bank was extended through January 31, 2023. It bears interest at the prime rate less 0.50% (4.75% at June 30, 2022). The amount outstanding as of June 30, 2022 was $1,700,000.

Note 7 – Notes Payable

The Center had the following notes payable at June 30, 2022:

$1,430,000 note payable in monthly interest only payments at 3.0% with annual principal payments of $600,000 due on January 1, 2022 and 2023, and a final payment of $180,000 due March 30, 2023. This loan is secured by a building and other assets.	$	780,000
$3,800,000 note payable in 59 monthly installments of $63,333, together with interest (at a variable rate) on the unpaid principal balance beginning December 30, 2021, with a final payment of principal and interest of $63,484 in December 2026.		3,356,673
Total Notes Payable	$	4,136,673

The future minimum loan payments on notes payable are as follows:

Year ended June 30,		
2023	$	1,540,000
2024		760,000
2025		760,000
2026		760,000
2027		316,673
Total	$	4,136,673

Note 8 - Lease Commitments

In March 2020, the Center signed a noncancellable operating lease agreement for an office facility expiring February 28, 2025, with two three-year extension options. On May 3, 2021 an amendment was signed which increased the square footage and monthly payments. The monthly lease payment is $10,638 and increases annually. The lease also required a security deposit of $10,827, which is included in prepaid expenses on the Statement of Financial Position. The rent expense for this lease was $115,112 for the year ended June 30, 2022.

In June 2021, the Center signed a noncancellable operating lease agreement for an additional facility expiring June 10, 2027. On August 3, 2021 an amendment was signed which increased the square footage and extended the term of the lease until August 2027. The monthly lease payment is $25,983 and increases annually. The Center began making lease payments in July 2021. The rent expense for this lease was $267,353 for the year ended June 30, 2022.

Note 8 - Lease Commitments (continued)

In December 2019, the Center entered into an operating lease agreement for a copier expiring November 27, 2024. The monthly lease payment is $805. The Center began making lease payments in December 2019. In October 2020, the Center entered into a second operating lease agreement for a copier expiring November 30, 2024. The monthly lease payment is $222. The Center began making payments in November 2020. The rent expense for these leases was $10,795 for the year ended June 30, 2022.

Future minimum lease commitments are as follows:

Year ended June 30,		
2023	$	454,717
2024		464,818
2025		422,956
2026		334,922
2027		341,158
Thereafter		57,164
Total	$	2,075,735

Total rent expense for the year ended June 30, 2022 was $393,260.

Note 9 - 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' 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 does not have a formal spending policy; however, it classifies as donor restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted 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 remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in donor-restricted net assets is classified as net assets without donor restrictions 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 donor-restricted net asset at year-end is below the original fair value, the deficit is recorded as a donor-restricted unrealized loss.

Note 9 - Endowment Funds (continued)

Endowment funds are invested in cash, equity, 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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2021	$ 336,041	$ 1,822,506	$ 2,158,547
Net investment loss			
Interest and dividend income	7,848	42,575	50,423
Realized gain on sale of investments	11,280	61,191	72,471
Unrealized loss on investments	(49,275)	(267,318)	(316,593)
Investment fees	(2,833)	(15,371)	(18,205)
Net investment loss	(32,981)	(178,922)	(211,904)
Allocation of endowment losses	32,981	178,922	211,904
Endowment net assets at June 30, 2022	$ 336,041	$ 1,822,506	$ 2,158,547

Note 10 – Concentration of Credit Risk

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

The mix of client revenues was as follows for the year ending June 30, 2022:

Medicare	5%
Medicaid, including managed care plans	79%
Commercial and other payors	14%
Clients (self pay)	2%
	100%

Note 11 – Retirement Plan

The Center contributes to a tax-deferred annuity. 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 1,000 hours of service. The retirement expense for the year ended June 30, 2022 totaled $129,845.

Note 12 – Loss 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. One such legal matter is addressed below.

During 2018, a patient commenced litigation against the Center and the Center's independent contractor, seeking damages resulting from alleged adverse effects of a drug prescribed by the Center's independent contractor and an additional outside physician. The Center is unable to reasonably estimate the amount of the loss. Requested damages in excess of $15,000,000 could be requested from three plaintiffs, and the outside counsel for the Center has advised, at this stage in the proceedings, that they estimate that there is less than a 25% chance of an unfavorable outcome. The Center is insured for malpractice on a claims-made basis covering losses of $1,000,000 per occurrence, and a $3,000,000 aggregate. There is also a $2,000,000 umbrella policy.

As of the date of this report, approximately $12,236 is due for legal services related to the litigation. The malpractice insurance covers defense costs up to $100,000. Subsequent to year end, the suit was settled in January 2023.

Note 13 – Paycheck Protection Program

On May 1, 2020 the Center was awarded a grant in the aggregate amount of $458,900, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPPFA), certain amounts of the grant may be forgiven if they are used for qualifying expenses through December 31, 2020, which include payroll costs, group health care benefit costs, rent, and utilities, as described in the CARES Act. During the year ended June 30, 2021 the Center made an initial repayment of $26,727. In the year ended June 30, 2022 the $26,727 was refunded to the Center. The Center has used the entire grant amount for qualifying expenses and has met other conditions of the grant. The amount of the grant is thus shown on the Statement of Activities and Changes in Net Assets as income from grant revenue for the year ended June 30, 2022.

Note 14 – Employee Retention Credit

The provisions of the CARES Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Center qualifies for the ERC and has elected to treat the credit in accordance with the conditional government grants model. The Center recognized $548,615 as other income for the year ended June 30, 2022. The Center has a related receivable balance of $548,615 as of June 30, 2022. The Center has filed for refunds of the ERC and has not received any funds to date.

Note 15 - Date of Management's Review

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed other than as discussed in Note 12.

TIGHE, KRESS & ORR
Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
The Josselyn Center, NFP

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Josselyn Center, NFP (the "Center") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questions costs as items 2022-01, 2022-02, and 2022-03, that we consider to be material weaknesses.

2001 LARKIN AVENUE • SUITE 202 • ELGIN, IL 60123 • P: 847.695.2700 • F: 847.695.2748 • WWW.TKOCPA.COM
CHICAGO ELGIN ST. CHARLES

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of corrective action plans. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tighe Kress & Orr, PC

Elgin, Illinois
March 24, 2023

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
The Josselyn Center, NFP

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Josselyn Center, NFP's (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sikich Kress & Orr, PC

Elgin, Illinois
March 24, 2023

The Josselyn Center, NFP
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor Program Title		Federal CFDA Number	Pass-Through Contract Number		Federal Expenditures
Department of Health and Human Services					
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243		$	71,625
Total					71,625
Block Grants For Community Mental Health Services	*	93.958			1,777,624
Total					1,777,624
Total Department of Health and Human Services					1,849,249
Department of the Treasury					
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)		21.027	Illinois Department of Human Services,0324.44499.4900.000		12,387
Total Department of the Treasury					12,387
Total Expenditures of Federal Awards				$	1,861,636

* Major Federal Award Program

Total Non-Cash	$	-

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

The Josselyn Center, NFP
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Josselyn Center, NFP (the "Center") for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Grants to Sub-recipients

The Josselyn Center, NFP did not provide any federal awards to sub-recipients during the year ended June 30, 2022.

Note 3 - Major Programs

In accordance with Uniform Guidance, major programs for the Center are individual programs or a cluster of programs determined by using a risk-based analysis. The threshold for distinguishing Type A and Type B programs was $750,000.

Note 4 - Non-cash Assistance

The Josselyn Center, NFP did not receive any non-cash assistance during the year ended June 30, 2022.

Note 5 - Federal Insurance and Loans

The Josselyn Center, NFP did not have any federal insurance or loans during the year ended June 30, 2022.

Note 6 - 10% de Minimus Cost Rate

The Center did not elect to use the 10% de minimis cost rate for indirect cost.

The Josselyn Center, NFP
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(s) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(s) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)		Yes	X	No

Identification of major federal programs:

CFDA No.	Name of Federal Program
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between Type A and Type B Programs $ 750,000

Auditee qualified as low-risk auditee? ___ Yes X No

Part II - Financial Statement Findings

Finding 2022-001 - Review on Year End Preparation of Financial Statements in Accordance with GAAP

Criteria

Under Statement of Auditing Standards 112, Communication Internal Control Related Matters Identified in an Audit, a control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing assigned functions, to prevent or detect misstatement on a timely basis.

Condition

During the audit, the auditors made journal entries of which six were above material misstatement ($97,000). Additionally, multiple other journal entries were required that were individually insignificant, however in the aggregate rose to a material level. The adjusting journal entries were made to adjust various balance sheet and income statement accounts to the correct ending balances under generally accepted accounting principles.

Context

In the audit year the Center failed to follow a practice of performing a complete interim or year-end analysis of the general ledger accounts. For this reason, numerous problems were encountered in the year-end preparation of the financial statements.

Cause

A change occurred during the audit year as there was turnover within the key accounting roles at the Center.

Effect

The transition caused changes in standard accounting procedures, leading to various new practices, and occasional items being overlooked.

Recommendation

We recommend that standard procedures and account analysis and review be performed at interim and year-end to avoid overlooking necessary account adjustments.

Part II - Financial Statement Findings

Finding 2022-002 - Review on Year End Bank Reconciliations

Criteria

Under Statement of Auditing Standards 112, Communication Internal Control Related Matters Identified in an Audit, a control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing assigned functions, to prevent or detect misstatement on a timely basis.

Condition

During the audit, the auditors noted stale checks on the bank reconciliations, a deposit in transit included on the bank reconciliation that was a receivable at year-end, and timing of payroll disbursements was incorrectly recorded.

Context

In the audit year the Center failed to follow a practice of performing a complete interim or year-end analysis of the bank reconciliations. For this reason, numerous issues were found in the cash accounts and bank reconciliations.

Cause

A change occurred during the audit year as there was turnover within the key accounting roles at the Center.

Effect

The transition caused changes in standard accounting procedures, leading to various new practices, and occasional items being overlooked.

Recommendation

We recommend that standard procedures and account analysis and review be performed at interim and year-end to avoid overlooking necessary account adjustments.

Part II - Financial Statement Findings

Finding 2022-003 - Recordkeeping System

Criteria

Under Statement of Auditing Standards 112, Communication Internal Control Related Matters Identified in an Audit, a control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing assigned functions, to prevent or detect misstatement on a timely basis.

Condition

During the audit, the auditors noted that the Center had difficulty locating certain records that were requested as a part of the audit process.

Context

In the audit year the Center had turnover within the accounting department and certain records were difficult to find.

Cause

A change occurred during the audit year as there was turnover within the key accounting roles at the Center.

Effect

The transition caused changes in standard accounting procedures, leading to various new practices, and occasional items being overlooked.

Recommendation

We recommend that a clear, written record-retention policy be put into place to help ensure appropriate records are available when they are needed.

Part III - Federal Award Findings and Questioned Cost Section

No reportable conditions, material weaknesses, or material instances of noncompliance were noted during our audit of the financial statements of The Josselyn Center, NFP, for the fiscal year ended June 30, 2022.

The Josselyn Center, NFP
Corrective Action Plan
For the Year Ended June 30, 2022

Part II - Financial Statement Findings Corrective Action Plan

Finding 2022-001 - Review on Year End Preparation of Financial Statements in Accordance with GAAP

Management Response

The Center continues working to gain more efficiency and effectiveness and is implementing enhanced standard review procedures to correct the issue going forward.

Finding 2022-002 - Review on Year End Bank Reconciliations

Management Response

The Center continues working to gain more efficiency and effectiveness and is implementing enhanced standard review procedures to correct the issue going forward.

Finding 2022-003 - Recordkeeping System

Management Response

The Center has implemented a more robust recordkeeping system to prevent this being a issue going forward.

Supplementary Information

The Josselyn Center, NFP
Schedule of Operating Expenses
For the Year Ended June 30, 2022

Operating Expenses:		
Salaries	$	9,421,207
Payroll taxes		611,149
Bad debt		7,961
Professional fees		360,176
Supplies		352,469
Printing		25,869
Advertising		141,134
Telephone		131,512
Postage and shipping		5,535
Depreciation and amortization		307,092
Occupancy		815,770
Tax expense		158,541
Transportation		5,542
Meals		34,498
Membership dues		26,453
Billing and credentialing		130,675
Equipment repairs and maintenance		11,477
Bank charges		2,682
Insurance		176,702
Retirement		129,845
Staff development		84,907
Interest expense		141,880
Mental health first aid		43,088
Employee health insurance		659,641
Miscellaneous		328,215
Total	$	14,114,020

Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report

Grantee Portal / Audit Reviews / Audit / CYEFR

Add a Program   Certify & Submit

	CSFA #	Program Name	$ State	$ Federal	$ Other	$ Total
View	444-22-1484	510-RTLR Regions The Living Room	252,806	0	0	252,806
View	444-22-2710	Josselyn Center Grant (515-AIOP)	620,802	0	0	620,802
View	444-22-2838	999 Sustainability Grant	12,387	0	0	12,387
View		Other grant programs and activities		1,849,249	0	1,849,249
View		All other costs not allocated			11,378,776	11,378,776
		Totals:	885,995	1,849,249	11,378,776	14,114,020

Please note the following:

- The CYEFR may be pre-populated with programs based on existing awards in the GATA system. These programs cannot be removed. If no spending occurred in a program leave the amounts at zero.
- Any grant expenditures not associated with funding received through the State of Illinois are to be entered in "Other grant programs and activities". The expenditures must be identified as federal (direct or pass-through) or other funding.
- All other expenditures not related to grants are to be entered in "All other costs not allocated".

Grantee Name	The Josselyn Center
ID Numbers	AUDIT:34793 Grantee:685813 UEI:QK9URTYXBR52 FEIN:362217996
Audit Period	7/1/2021 - 6/30/2022
Submitted	03/15/2023; Vivian Ramos; Grants Financial Analyst; vramos@josselyn.org; 12242556456
Accepted	
Program Count	3

All Programs Total				
Category	**State**	**Federal**	**Other**	**Total**
Personal Services (Salaries and Wages)	552,346.37	1,150,371.28	8,329,638.35	10,032,356.00
Fringe Benefits	87,535.14	334,820.08	367,130.78	789,486.00
Travel	0.00	129.92	5,412.08	5,542.00
Equipment	758.04	0.00	10,718.96	11,477.00
Supplies	0.00	59,432.00	293,037.00	352,469.00
Contractual Services	0.00	185,625.00	0.00	185,625.00
Consultant (Professional Services)	0.00	0.00	360,176.00	360,176.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	59,044.19	0.00	756,725.81	815,770.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	1,856.85	0.00	129,655.15	131,512.00
Training and Education	0.00	0.00	84,907.00	84,907.00
Direct Administrative Costs	101,786.13	0.00	0.00	101,786.13
Miscellaneous Costs	82,668.31	118,871.00	1,041,374.56	1,242,913.87
ALN 21.027 CSLFRF	0.00	0.00	0.00	0.00
All Grant Specific Categories	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	**885,995.03**	**1,849,249.28**	**11,378,775.69**	**14,114,020.00**
Indirect Costs	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	**885,995.03**	**1,849,249.28**	**11,378,775.69**	**14,114,020.00**

State Agency	Department Of Human Services (444)
Program Name	510-RTLR Regions The Living Room (444-22-1484)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	180,996.38	0.00	0.00	180,996.38
Fringe Benefits	12,084.25	0.00	0.00	12,084.25
Occupancy - Rent and Utilities	29,800.00	0.00	0.00	29,800.00
Direct Administrative Costs	6,621.02	0.00	0.00	6,621.02
Miscellaneous Costs	23,304.36	0.00	0.00	23,304.36
TOTAL DIRECT EXPENDITURES	**252,806.01**	**0.00**	**0.00**	**252,806.01**

State Agency	Department Of Human Services (444)
Program Name	999 Sustainability Grant (444-22-2838)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Miscellaneous Costs	12,387.00	0.00	0.00	12,387.00
TOTAL DIRECT EXPENDITURES	**12,387.00**	**0.00**	**0.00**	**12,387.00**

State Agency	Department Of Human Services (444)
Program Name	Josselyn Center Grant (515-AIOP) (444-22-2710)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	371,349.99	0.00	0.00	371,349.99
Fringe Benefits	75,450.89	0.00	0.00	75,450.89
Equipment	758.04	0.00	0.00	758.04
Occupancy - Rent and Utilities	29,244.19	0.00	0.00	29,244.19
Telecommunications	1,856.85	0.00	0.00	1,856.85
Direct Administrative Costs	95,165.11	0.00	0.00	95,165.11
Miscellaneous Costs	46,976.95	0.00	0.00	46,976.95
TOTAL DIRECT EXPENDITURES	**620,802.02**	**0.00**	**0.00**	**620,802.02**

Program Name	Other grant programs and activities

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	1,150,371.28	0.00	1,150,371.28
Fringe Benefits	0.00	334,820.08	0.00	334,820.08
Travel	0.00	129.92	0.00	129.92
Supplies	0.00	59,432.00	0.00	59,432.00
Contractual Services	0.00	185,625.00	0.00	185,625.00
Miscellaneous Costs	0.00	118,871.00	0.00	118,871.00
TOTAL DIRECT EXPENDITURES	**0.00**	**1,849,249.28**	**0.00**	**1,849,249.28**

Program Name	All other costs not allocated

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	0.00	8,329,638.35	8,329,638.35
Fringe Benefits	0.00	0.00	367,130.78	367,130.78
Travel	0.00	0.00	5,412.08	5,412.08
Equipment	0.00	0.00	10,718.96	10,718.96
Supplies	0.00	0.00	293,037.00	293,037.00
Consultant (Professional Services)	0.00	0.00	360,176.00	360,176.00
Occupancy - Rent and Utilities	0.00	0.00	756,725.81	756,725.81
Telecommunications	0.00	0.00	129,655.15	129,655.15
Training and Education	0.00	0.00	84,907.00	84,907.00
Miscellaneous Costs	0.00	0.00	1,041,374.56	1,041,374.56
TOTAL DIRECT EXPENDITURES	**0.00**	**0.00**	**11,378,775.69**	**11,378,775.69**