THE JOSSELYN CENTER, NFP

FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 AND 2023

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Josselyn Center, NFP:

Opinion

We have audited the accompanying financial statements of The Josselyn Center, NFP, which comprise the statement of financial position as of June 30, 2024 and 2023, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Josselyn Center, NFP as June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Josselyn Center, NFP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Errors

As described in Note 17 to the financial statements, the organization discovered that it understated its pledges by $550,000 and its membership interest by $134,671 during 2023. Our opinion is not modified with respect to this matter.

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 Josselyn Center, NFP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Josselyn Center, NFP'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 Josselyn Center, NFP'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025, on our consideration of The Josselyn 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 Josselyn Center, NFP'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 Josslyn Center, NFP's internal control over financial reporting and compliance.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
February 5, 2025

EXHIBIT 1

THE JOSSELYN CENTER, NFP
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

A S S E T S

	2024	(Restated) 2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,567,708	2,924,154
Investments	2,521,921	531,600
Grants receivable	531,566	282,957
Client fees receivable, net of allowance for credit losses of $700,000	1,489,797	1,018,355
Current portion of pledges receivable, net of allowance and discount	437,767	412,476
Other accounts receivable	-	579,283
Prepaid expenses	479,241	77,885
Total current assets	7,028,000	5,826,710
LONG-TERM ASSETS:		
Property and equipment, net	9,720,835	9,229,353
Website	63,443	63,443
Membership interest	292,892	184,671
Pledge receivable, net of current portion, allowance and discount	190,066	508,599
Right-of-use asset - operating lease	3,703,223	2,876,309
Investments - donor restricted	1,822,506	1,822,506
Investments - board designated	336,041	336,041
Total other assets	16,129,006	15,020,922
Total assets	$ 23,157,006	$ 20,847,632

LIABILITIES AND NET ASSETS

	2024	(Restated) 2023
CURRENT LIABILITIES:		
Accounts payable	$ 338,364	1,030,141
Accrued expenses	1,494,858	1,065,663
Notes payable, current maturities	80,823	940,000
Line of credit	305,027	1,700,000
Operating lease liability, current portion	713,022	506,589
Total current liabilities	2,932,094	5,242,393
LONG-TERM LIABILITIES:		
Operating lease liability, net of current	3,107,454	2,408,475
Notes payable, net of current maturities	3,606,660	1,836,667
Total long-liabilities	6,714,114	4,245,142
Total liabilities	9,646,208	9,487,535
NET ASSETS:		
Without donor restrictions - undesignated	8,422,883	4,522,806
Without donor restrictions - board designated	1,031,475	336,041
With donor restrictions	4,056,440	6,501,250
Total net assets	13,510,798	11,360,097
Total liabilities and net assets	$ 23,157,006	$ 20,847,632

The accompanying notes are an integral part of this statement.

EXHIBIT 2

THE JOSSELYN CENTER NFP
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			(Restated) 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:						
Revenues, Gains, and Other Support -						
Contributions	$ 4,431,718	$ 1,115,934	$ 5,547,652	$ 517,219	$ 2,880,730	$ 3,397,949
Client and education fees - third party	16,783,340	-	16,783,340	13,275,420	-	13,275,420
Government grants	1,005,066	3,073,345	4,078,411	2,492,795	3,873,846	6,366,641
Employee retention tax credit	-	-	-	28,138	-	28,138
Special events, net of expenses $66,416 and $103,842, respecitvely	474,125	-	474,125	378,791	-	378,791
Rental income	52,657	-	52,657	27,998	-	27,998
United Way support	-	-	-	4,239	-	4,239
Investment income	205,564	322,276	527,840	88,349	209,295	297,644
Gain on membership interest	108,221	-	108,221	134,671	-	134,671
Other income	26,876	-	26,876	47,216	-	47,216
(Loss) on sale of property and equipment	(29,112)	-	(29,112)	-	-	-
Net assets released from restrictions	6,956,365	(6,956,365)	-	2,385,127	(2,385,127)	-
Total Revenues, Gains, and Other Support	30,014,820	(2,444,810)	27,570,010	19,379,963	4,578,744	23,958,707
EXPENSES:						
Program services	20,461,184	-	20,461,184	17,269,158	-	17,269,158
Management and general	4,295,744	-	4,295,744	3,574,150	-	3,574,150
Fundraising	662,381	-	662,381	541,304	-	541,304
Total expenses	25,419,309	-	25,419,309	21,384,612	-	21,384,612
CHANGE IN NET ASSETS	4,595,511	(2,444,810)	2,150,701	(2,004,649)	4,578,744	2,574,095
NET ASSETS, Beginning of year,	4,858,847	6,501,250	11,360,097	6,863,496	1,922,506	8,786,002
NET ASSETS, End of year	$ 9,454,358	$ 4,056,440	$ 13,510,798	$ 4,858,847	$ 6,501,250	$ 11,360,097

The accompanying notes are an integral part of this statement.

THE JOSSELYN CENTER NFP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	(Restated) 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 2,150,701	$ 2,574,095
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	445,004	388,910
Credit loss expense	1,227,574	1,332,318
Loss on sale of property and equipment	29,112	-
Change in value of partnership	(108,221)	(134,671)
Cash contributions received in current year for long-term purposes	(601,689)	(4,678,744)
Non-cash portion of lease expense for operating leases	672,632	433,849
Net realized and unrealized (gain) on investments	(393,214)	(225,564)
Change in assets and liabilities:		
(Increase) decrease in grants receivable	(248,609)	642,730
(Increase) in client fees receivable	(1,699,016)	(605,773)
(Increase) decrease in pledges receivable	293,242	(384,999)
(Increase) decrease in other receivables	579,283	(28,318)
(Increase) decrease in prepaid expenses	(401,356)	259,001
Increase (decrease) in accounts payable	(691,777)	495,149
Increase (decrease) in accrued expenses	429,195	(33,932)
(Decrease) in operating lease liabilities	(594,134)	(495,326)
Net cash provided by (used in) operating activities	1,088,727	(461,275)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,865,598)	(324,988)
Proceeds from sale of property and equipment	1,900,000	-
Purchases of investments	(2,318,107)	(276,763)
Proceeds from sale of investments	721,000	404,010
Net cash (used in) investing activities	(2,562,705)	(197,741)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes	601,689	4,678,744
Net payments on line of credit	(1,394,973)	-
Borrowings on notes payable	3,732,731	-
Payments on notes payable	(2,821,915)	(1,360,006)
Net cash provided by financing activities	117,532	3,318,738
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,356,446)	2,659,722
CASH AND CASH EQUIVALENTS, Beginning of year	2,924,154	264,432
CASH AND CASH EQUIVALENTS, End of year	$ 1,567,708	$ 2,924,154
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 335,791	$ 368,095
Right of use assets acquired through operating lease	$ 1,499,546	3,310,158

The accompanying notes are an integral part of this statement.

EXHIBIT 4

THE JOSSELYN CENTER, NFP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Management & General	Fundraising	Total
Salaries and wages	$ 13,783,351	$ 2,962,132	$ 443,358	$ 17,188,841
Payroll taxes and benefits	860,355	224,043	35,813	1,120,211
Credit loss expense	1,227,574	-	-	1,227,574
Professional fees	1,164,478	310,528	77,632	1,552,638
Supplies	182,895	48,773	12,194	243,862
Printing	8,336	2,223	556	11,115
Advertising	40,626	10,832	2,709	54,167
Telephone	222,567	48,436	2,108	273,111
Postage and shipping	4,894	1,305	327	6,526
Depreciation and amortization	362,644	78,922	3,438	445,004
Occupancy	1,231,803	268,078	11,669	1,511,550
Property tax expense	(50,729)	(11,041)	(480)	(62,250)
Transportation	13,899	3,705	926	18,530
Meals	12,608	3,363	841	16,812
Membership dues	14,436	3,851	963	19,250
Billing and credentialing	163,784	-	-	163,784
Repairs and maintenance	57,340	15,290	3,823	76,453
Insurance	252,157	67,242	16,810	336,209
Retirement plan	320,251	81,449	5,540	407,240
Staff development	127,565	53,853	13,463	194,881
Interest expense	251,843	67,158	16,790	335,791
	-	-	-	
Miscellaneous	208,507	55,602	13,901	278,010
Total functional expenses	$ 20,461,184	$ 4,295,744	$ 662,381	$ 25,419,309

The accompanying notes are an integral part of this statement.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Josselyn Center, NFP. (the Center) is an Illinois nonprofit corporation that provides mental health services that make the 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.

The financial statements were available to be issued on February 5, 2025, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Basis of Accounting -

The financial statements are maintained on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations.* Under the ASC, the Organization is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions – Net assets that are subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Center and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates -

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Concentrations of Credit Risk -

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash. The Center places its cash and deposits with high-credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time. The Center has not experienced any losses in such accounts.

Client Fees Receivable -

Client fees receivable arise in the normal course of the Center's activities. Receivables are carried at original invoice amount, less an estimate made for expected current credit losses. Receivables are measured at amortized cost. An allowance for credit losses that are expected to be incurred is recorded as of the date that a receivable is originated. The allowance reduces the carrying amount of the receivables to the net amount expected to be collected over the assets' contractual term. The determination of the allowance requires the Center to collectively evaluate receivables by classifying them into pools that share similar risk characteristics such as risk rating, type of receivable, size of the receivable, contractual term, industry type of the debtor, geographic location of the debtor, or date of origination while individually evaluating such assets, if any, that do not possess risk characteristics similar to those in the identified pools.

Management determines the allowance for credit losses based on:

- Available and relevant internal and/or external information about historical loss experience with similar assets;
- Current conditions;
- Reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets that have an extended contractual term.

The Center considers a receivable to be past due when the normal invoice terms have been exceeded. Receivables are written off once they are deemed uncollectable. Write offs are recognized as a deduction from the allowance for credit losses. Amounts previously written off that are now expected to be recovered are included in the determination of the allowance for credit losses. The Center recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs. Credit loss expense for the years ended June 30, 2024 and 2023 was $1,227,574 and $1,332,318, and allowance was $700,000 as of June 30, 2024 and 2023.

Investments -

The Center has investments that are comprised of fixed income, equities, mutual funds and money markets that are carried at fair market value. Investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of market risk associated with certain investment, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments – (Continued)

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 -

Property and equipment are stated at cost if purchased or fair value if contributed. The Center capitalizes fixed asset additions over $5,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Website costs are amortized using the straight-line method over an estimated useful life of three years. Below are the estimated useful lives of the assets:

Building and improvements	5 - 40 years
Equipment	3 - 10 years

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in the statement of activities and changes in net assets.

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 nonfinancial 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 number of donated services from unpaid volunteers, and no amounts have been recorded.

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 of the asset are less than the carrying amount of that asset. As of June 30, 2024 and 2023 there have been no such losses.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, supplies, occupancy, depreciation and amortization, professional fees, and other expenses which are allocated on the basis of estimates of time and effort.

Income Taxes -

The Center has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Center files informational returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Center is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2021. The Center does not expect a material net change in unrecognized tax benefits in the next twelve months.

Revenue Recognition for Program Fees -

The Center recognizes revenues from program fees, primarily client and education fees, 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 to patients, third-party payors (including health insurers and government programs) and others and includes variable considerations 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 transactions price based on contractual rates and implicit price concessions for the services rendered. Consistent with the missions 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 benefits.

The Center rents some of its office space to tenants. Rental income is considered a single performance obligation that is recognized over time. Rental income is charged each month, and the monthly fees are recognized ratably over the life of the lease.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Grants and Contributions -

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

A portion of the Center's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Center has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Grants Receivables -

Grant receivables are stated at the amount the Center expects to collect from the outstanding balances. The Center provides for uncollectible amounts, should they exist, through a charge to operations and a credit to an allowance for doubtful accounts based on an assessment of the current status of the individual accounts. Balances still outstanding after the Center has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Based on a review of outstanding receivable, management determined that an allowance for doubtful accounts was not necessary at June 30, 2024 and 2023.

Pledge Receivables -

Pledge receivables are recorded in the fiscal year in which the notification of an unconditional promise to give is received and then are classified as either net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of donor restrictions. Pledge receivables are stated at the amount management expects to collect from outstanding balances, net of present value of future payments. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledge receivables. As of June 30, 2024 and 2023, the allowance for uncollectible pledge receivables was $25,660.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Leases -

The Company determines if an arrangement is a lease or contains a lease at inception of the contract. The Company's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position as of June 30, 2024 and 2023.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Center's leases do not specify their implicit rate, the Center has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Center, less any lease incentives the Center receives from the lessor. The Center has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Center's leases generally contain lease payments and reimbursements to the lessor of the Center's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Center has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred.

The Center's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Center will exercise the renewal options is generally at the Center's sole discretion. The Center includes lease extensions in the lease term when it is reasonably certain that the Center will exercise the extension.

Membership Interest –

The center has a 2.6% ownership interest in Providerco, LLC, as a limited partner. The Center has no control of the decisions or operations of the partnership, and accordingly, Providerco, LLC is not consolidated with he Center. The Center records its investment in Providerco, LLC using the equity method and accordingly, distributed income and losses, capital contributions made to, and distributions received from Providerco, LLC will affect the basis of this investment.

(1) NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Adoption of New Accounting Principle with Respect to Credit Losses -

Effective July 1, 2023, the Center adopted a new accounting standard under US GAAP that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts and notes receivable. The CECL methodology is applicable to financial assets that the Center measures at amortized cost, including accounts and program services receivable, contract assets, and notes and loans receivable.

The Center adopted the changes in accounting for credit losses using a modified retrospective method. Upon implementation of the standard, there was no adjustment to beginning net assets.

Reclassifications -

Certain prior year amounts have been reclassified to conform to current year presentation.

(2) REIMBURSEMENT ARRANGEMENTS WITH THIRD-PARTY PAYORS:

The Center has agreements with third-party payors that provide for reimbursement at amounts which varies based on the established rate of the services and payor. 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 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.

(3) CONCENTRATIONS:

The Center received approximately 22% of its total revenues and support from two grantors for the year ended June 30, 2023.

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurement established a framework for measuring fair value. That 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 plan 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.

Level 3:

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

The asset 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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023:

Fixed Income, Equities, and Mutual fund alternatives : Valued at the closing price (net asset value) reported on the active market on which the individual securities are traded.

Certificates of deposit: Valued at cost, which approximates fair value.

(4) FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis as of June 30, 2024 and 2023 were as follows:

	June 30, 2024			
Description	Level 1	Level 2	Level 3	Total
Fixed income	$ 1,444,721	$ -	$ -	$ 1,444,721
Equities	2,218,180	-	-	2,218,180
Certificates of deposit	1,017,567			1,017,567
Total	$ 4,680,468	$	$ -	$ 4,680,468

	June 30, 2023			
Description	Level 1	Level 2	Level 3	Total
Fixed income	$ 1,054,698	$ -	$ -	$ 1,054,698
Equities	1,605,370	-	-	1,605,370
Mutual fund alternatives	30,079	-	-	30,079
Total	$ 2,690,147	$	$ -	$ 2,690,147

(5) INVESTMENTS:

Net investment return for investment securities for the years ended June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Interest and dividends	$ 134,626	$ 72,080
Realized gain	4,627	159,496
Unrealized gain	388,587	66,068
Total	$ 527,840	$ 297,644

(6) PLEDGES RECEIVABLES:

Unconditional promises to give at June 30, 2024 and 2023 are as follows:

	2024	2023
Receivable in less than one year	$ 437,767	$ 412,476
Receivable in greater than one year and less than five years	236,467	555,000
Total unconditional promises to give	674,234	967,476
Less - Discounts to net present value	(20,741)	(20,741)
- Allowance for doubtful accounts	(25,660)	(25,660)
Net unconditional promise to give	$ 627,833	$ 921,075

(7) PROPERTY AND EQUIPMENT:

The costs of the Center's property and equipment as of June 30, 2024 and 2023 were as follows:

	2024	2023
Land	$ 207,750	$ 89,007
Building and improvements	10,305,543	9,752,026
Furniture and equipment	1,069,141	890,106
Total property and equipment	11,582,434	10,731,139
Less: Accumulated depreciation	(1,861,599)	(1,501,786)
Net property and equipment	$ 9,720,835	$ 9,229,353

Depreciation expense for the years ended June 30, 2024 and 2023 was $445,004 and $388,910.

(8) NOTES PAYABLE:

The Center had the following notes payable as of June 30, 2024 and 2023:

	2024	2023
Note payable from a bank that matures in November 2028 with a variable interest rate calculated at SOFR plus a margin of 2.75% (8.07%) as of June 30, 2024), monthly principal payments ranging from $6,464 to $8,826 plus interest with a balloon payment on November 15, 2028 of the remaining balance, secured by a building and other assets.	$ 3,687,483	$ -
Notes payable from a bank that matures in August 2023, with monthly interest only payments bearing an interest rate of 7.75%, secured by a building and other assets. The loan was refinanced during 2024.	$ -	$ 180,000
Notes payable from a bank that matures in November 2026 bearing a variable interest rate (7.75% as of June 30, 2023), monthly principal payment of $63,333 plus interest. The loan was refinanced during 2024.	-	2,596,667
Total notes payable	3,687,483	2,776,667
Less - Current maturities	80,823	940,000
Notes payable - long-term	$ 3,606,660	$ 1,836,667

(8) NOTES PAYABLE: (Continued)

Maturities on long-term debt are as follows:

Year Ending June 30,	
2025	$ 80,823
2026	88,601
2027	96,892
2028	103,462
2029	3,317,705
	$ 3,687,483

(9) LINE OF CREDIT:

The Center obtained a working capital line of credit with a maximum borrowing limit of $750,000. The term of the Center's line of credit with the bank matured in October 2024 and was extended through January 31, 2025. The Center was renegotiating an extension of the line as of the report date. It bears interest at the prime rate less 0.25% (8.25% at June 30, 2024). The amount outstanding as of June 30, 2024 was $305,027.

The Center had a working capital line of credit with a maximum borrowing limit of $1,700,000. Interest was at the prime rate less 0.50%. The amount outstanding as of June 30, 2023 was $1,700,000. This line of credit was paid off during 2024 as a part of the refinancing of the Center's debt.

(10) NET ASSETS:

The Center's net assets that are board designated are as follows:

	2024	2023
Cash Reserves	$ 695,434	$ -
Leo T. Murphy endowment net assets	221,160	221,160
Dottie Palombo Children and Adolescent Service Endowment net assets	114,881	114,881
Total net assets without donor restrictions	$ 1,031,475	$ 336,041

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.

(10) NET ASSETS: (Continued)

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.

The Center's net assets with donor restrictions are as follows:

	2024	2023
Halsey Early Poronto, Grace K. Poronto and Halsey Earl Poronto Jr. Memorial Endowment Net Assets	$ 1,822,506	$ 1,822,506
Black, Indigenous and People of Color Scholarship Initiative	325,000	100,000
Schriber Scholars	582,000	-
EMR	500,000	-
Capital Campaign	826,934	4,578,744
	$ 4,056,440	$ 6,501,250

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.

(11) LEASES:

The Center leases its facilities under operating leases with non-related parties. The Center is also responsible for its share of real estate taxes, insurance and maintenance costs for the buildings. The operating leases will expire at various dates through February 2031.

The components of lease expense for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Operating lease cost	$ 745,192	$ 460,585
Short-term lease cost	-	65,873
Total lease expense	$ 713,165	$ 526,458

The lease expenses is part of total occupancy expenses on the statement of functional expenses.

(11) LEASES: (Continued)

Future minimum lease payments under noncancelable leases for the year ended June 30, 2024 are as follows:

2025	$ 797,441
2026	810,473
2027	823,736
2028	499,455
2029	506,483
Thereafter	945,385
Total future minimum lease payments	4,382,973
Less imputed interest included	(562,497)
Present value of net minimum lease payments	$ 3,820,476

The following provides additional information related to the Center's leases as of and for the year ended June 30, 2024:

	2024	2023
Current portion of lease liabilities	$ 713,022	$ 506,589
Long-term portion of lease liabilities	3,107,454	2,408,475
Total lease liabilities	$ 3,820,476	$ 2,915,064
Weighted average lease term	5.88 years	6.07 years
Weighted average discount rate	3.38%	2.58%

Cash paid for amounts included in the measurements of the Center's leases for the years ended June 30, 2024 and June 30, 2023 are as follows:

	2024	2023
Operating cash from operating leases	$ 668,657	$ 437,889

(12) ENDOWMENT FUNDS:

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

(12) ENDOWMENT FUNDS: (Continued)

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.

Endowment net asset composition by type of fund for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Without donor restrictions	$ 336,041	$ 336,041
With purpose or time restrictions	-	-
Perpetual in nature	1,822,506	1,822,506
	$ 2,158,547	$ 2,158,547

Endowment changes by net asset classes for the years ended June 30, 2024 are as follows:

	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Endowment net assets, beginning of year	$ 336,041	$ -	$ 1,822,506	$ 2,158,547
Investment return:				
Interest income	15,156	82,197	-	97,353
Realized gain	43,746	2,825	-	46,571
Unrealized gain	521	237,254	-	237,775
Total investment return	59,423	322,276	-	381,699
Appropriated amounts	(59,423)	(322,276)	-	(381,699)
Endowment net assets, end of year	$ 336,041	$ -	$ 1,822,506	$ 2,158,547

(12) ENDOWMENT FUNDS: (Continued)

Endowment changes by net asset classes for the years ended June 30, 2023 are as follows:

	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Endowment net assets, beginning of year	$ 336,041	$ -	$ 1,822,506	$ 2,158,547
Investment return:				
Interest income	9,345	50,685	-	60,030
Realized gain	8,566	112,153	-	120,719
Unrealized gain	20,679	46,457	-	67,136
Total investment return	38,590	209,295	-	247,885
Appropriated amounts	(38,590)	(209,295)	-	(247,885)
Endowment net assets, end of year	$ 336,041	$ -	$ 1,822,506	$ 2,158,547

(13) 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, 2024 and 2023 totaled $407,240 and $270,354, respectively.

(14) LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Center's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 1,567,708	$ 2,924,154
Grants receivable	531,566	282,957
Client fees receivable	1,489,797	1,018,355
Current portion of pledge receivables	437,767	412,476
Other receivables	-	579,283
Investments	4,680,468	2,690,147
Total financial assets	8,707,306	7,907,372

(14) LIQUIDITY AND AVAILABILITY OF RESOURCES: (Continued)

	2024	2023
Less:		
Assets with donor restrictions	$ 3,866,374	$ 5,992,651
Board-designated net assets	1,031,475	336,041
	4,897,849	6,328,692
Assets available for general expenditures	$ 3,809,457	$ 1,578,680

The Center maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Investments are included in the table above as these assets are available to be used should the Center deem necessary; however, the investments are not expected to be used within one year.

(15) 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 $28,138 as other income for the year ended June 30, 2023. The Center has a related receivable balance of $579,283 as of June 30, 2023. The Center has received all ERC receivables as of June 30, 2024.

(16) ALLOWANCE FOR CREDIT LOSSES:

Credit loss activity consists of the following for the year ended June 30, 2024 and 2023:

	2024	2023
Balance, beginning of year	700,000	-
Write-offs	(1,227,574)	(632,318)
Recoveries	-	-
Credit loss expense	1,227,574	1,332,318
Balance, end of year	$ 700,000	$ 700,000

The Organization determines the allowance for credit losses by using a receivables aging schedule and utilizing historical loss percentages adjusted for the effects of current economic conditions in the industry in which the Organization operates, and reasonable and supportable forecasts of future economic conditions and how it will impact the Organization's industry. The Organization annually adjusts its historical loss percentages to reflect the anticipated adverse effect caused by the factors above.

(17) PRIOR PERIOD ADJUSTMENTS:

During the year ended June 30, 2024, it was discovered that the Center had excluded $550,000 of pledges that were made during 2023. In addition, the Center had erroneously understated the value of its membership interest by $134,671. Accordingly the 2023 statement of financial position, statement of activities and statement of cashflows for the year ended 2023 were restated to reflect the correction of these errors. The net effect of these corrections increased the change in net assets for the year ended June 30, 2023 and net assets at June 30, 2023 by $684,671.