TURNING POINT BEHAVIORAL HEALTH CARE CENTER

FINANCIAL STATEMENTS AS OF JUNE 30, 2020 AND 2019

TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Turning Point Behavioral Health Care Center:

Report on the Financial Statements

We have audited the accompanying financial statements of Turning Point Behavioral Health Care Center, which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turning Point Behavioral Health Care Center as of June 30, 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of Turning Point Behavioral Health Care 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 Turning Point Behavioral Health Care 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 Turning Point Behavioral Health Care Center's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements for the year ended June 30, 2019 were audited by other auditors, and they expressed an unmodified opinion on them in their report dated April 13, 2020.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
December 22, 2020

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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
Turning Point Behavioral Health Care Center:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Turning Point Behavioral Health Care Center (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
December 22, 2020

TURNING POINT BEHAVIORAL HEALTH CARE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
A S S E T S		
CURRENT ASSETS:		
Cash and cash equivalents	$ 443,710	$ 166,934
Accounts receivable	500,928	197,430
Prepaid expenses	1,355	18,089
Total current assets	945,993	382,453
PROPERTY AND EQUIPMENT, at cost:	2,826,253	2,989,922
OTHER ASSETS:		
Investments	912,634	1,269,240
Intangible assets, net	38,087	45,934
Deposits	31,609	32,283
Total other assets	982,330	1,347,457
Total assets	$ 4,754,576	$ 4,719,832
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Notes payable, current	$ 82,512	$ 816,693
Line of credit	-	750,000
Accounts payable and accrued expenses	17,255	157,548
Accrued payroll expenses	137,107	89,971
Refundable advance	114,361	-
Deferred income	6,750	36,083
Total current liabilities	357,985	1,850,295
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	1,606,657	173,470
Total liabilities	1,964,642	2,023,765
NET ASSETS:		
Without donor restrictions	2,531,034	2,516,067
With donor restrictions	258,900	180,000
Total net assets	2,789,934	2,696,067
Total liabilities and net assets	$ 4,754,576	$ 4,719,832

The accompanying notes are an integral part of this statement.

TURNING POINT BEHAVIORAL HEALTH CARE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:						
Public support -						
Contributions	$ 67,989	$ -	$ 67,989	$ 47,423	$ -	$ 47,423
Special events revenue	-	-	-	153,327	-	153,327
Total public support	67,989	-	67,989	200,750	-	200,750
Grants -						
Department of Human Services	885,770	-	885,770	781,194	-	781,194
Grant under CARES act	318,839	-	318,839	-	-	-
Other grants	130,906	184,600	315,506	275,733	-	275,733
Total grants	1,335,515	184,600	1,520,115	1,056,927	-	1,056,927
Program services fees -						
Department of Human Services	1,731,347	-	1,731,347	1,481,330	-	1,481,330
Program service fees	481,191	-	481,191	549,800	-	549,800
Total program service fees	2,212,538	-	2,212,538	2,031,130	-	2,031,130
Other revenue -						
Rental income	91,614	-	91,614	50,158	-	50,158
Miscellaneous income	17,197	-	17,197	13,131	-	13,131
Total other revenue	108,811	-	108,811	63,289	-	63,289
Investment income-						
Gain (loss) on investments	(872)	-	(872)	57,328	-	57,328
Interest and dividend income	26,500	-	26,500	32,676	-	32,676
Total investment income	25,628	-	25,628	90,004	-	90,004
Net assets released from restrictions	105,700	(105,700)	-	45,370	(45,370)	-
Total support, fees and revenue	3,856,181	78,900	3,935,081	3,487,470	(45,370)	3,442,100
EXPENSES:						
Program	3,074,148	-	3,074,148	3,584,973	-	3,584,973
Management and general	631,273	-	631,273	409,034	-	409,034
Fundraising	135,793	-	135,793	184,127	-	184,127
Total expenses	3,841,214	-	3,841,214	4,178,134	-	4,178,134
CHANGE IN NET ASSETS	14,967	78,900	93,867	(690,664)	(45,370)	(736,034)
NET ASSETS, Beginning of year	2,516,067	180,000	2,696,067	3,206,731	225,370	3,432,101
NET ASSETS, End of year	$ 2,531,034	$ 258,900	$ 2,789,934	$ 2,516,067	$ 180,000	$ 2,696,067

The accompanying notes are an integral part of this statement.

TURNING POINT BEHAVIORAL HEALTH CARE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	$ 93,867	$ (736,034)
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	217,591	220,208
Net realized and Unrealized (gain) loss on investments	872	(57,327)
Provision for bad debts	-	157,073
Change in assets and liabilities:		
(Increase) decrease in receivables	(303,498)	15,725
Decrease in deposits	674	1,936
(Increase) decrease in prepaid expenses	16,734	(7,347)
Increase (decrease) in accounts payable and accrued expenses	(140,293)	97,057
Increase (decrease) in accrued payroll expenses	47,136	(43,540)
Increase in refundable advance	114,361	-
Increase (decrease) in deferred income	(29,333)	4,616
Net cash provided by (used in) operating activities	18,111	(347,633)
CASH FLOW FROM INVESTING ACTIVITIES		
Change in restricted cash	-	225,370
Purchase of property and equipment	(36,075)	(281,731)
Purchase of intangibles	(10,000)	-
Proceeds from sale of investments	379,269	158,777
Purchases of investments	(23,535)	(31,841)
Net cash provided by investing activities	309,659	70,575
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	-	355,000
Repayments of long-term debt	(50,994)	(64,358)
Net cash provided by (used in) financing activities	(50,994)	290,642
NET CHANGE IN CASH AND CASH EQUIVALENTS	276,776	13,584
CASH AND CASH EQUIVALENTS, Beginning of year	166,934	153,350
CASH AND CASH EQUIVALENTS, End of year	$ 443,710	$ 166,934
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	66,162	$ 82,422
Line of credit converted to note payable	$ 750,000	-

The accompanying notes are an integral part of this statement.

TURNING POINT BEHAVIORAL HEALTH CARE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program expenses									
	Living Room	Adult Crisis & Emergency	Supportive Residential	CCBYS	Out Patient	MD	Total Program	Management & General	Fundraising	Total
Salaries and wages	$ 118,876	$ 190,800	$ 189,756	$ 176,781	$ 1,096,981	$ 9,683	$ 1,782,877	$ 389,520	$ 84,361	$ 2,256,758
Payroll taxes and benefits	14,782	45,932	44,814	40,152	219,868	4,826	370,374	64,117	20,103	454,594
Program consultants	2,811	4,168	-		47,105	94,458	148,542	52,080	-	200,622
Administrative and office supplies	10,965	17,568	17,098	15,929	121,903	9,384	192,847	54,704	7,752	255,303
Occupancy	7,932	12,709	12,369	11,523	74,577	6,788	125,898	31,750	5,499	163,147
Depreciation and amortization	10,775	17,264	16,802	15,653	101,304	9,221	171,019	39,102	7,470	217,591
Program equipment and supplies	1,226	8,700	43,552	-	76,312	154	129,944	-	-	129,944
Program rent	-	-	152,647	-	-	-	152,647	-	-	152,647
Fundraising	-	-	-	-	-	-	-	-	10,608	10,608
Total functional expenses	$ 167,367	$ 297,141	$ 477,038	$ 260,038	$ 1,738,050	$ 134,514	$ 3,074,148	$ 631,273	$ 135,793	$ 3,841,214

The accompanying notes are an integral part of this statement.

TURNING POINT BEHAVIORAL HEALTH CARE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program expenses									
	Living Room	Adult Crisis & Emergency	Supportive Residential	CCBYS	Out Patient	MD	Total Program	Management & General	Fundraising	Total
Salaries and wages	$ 163,261	$ 184,717	$ 269,293	$ 236,284	$ 1,021,231	$ 42,948	$ 1,917,734	$ 269,291	$ 76,792	$ 2,263,817
Payroll taxes and benefits	34,657	39,211	57,164	50,157	216,783	9,117	407,089	57,164	16,301	480,554
Program consultants	2,555	3,076	-	-	60,307	160,181	226,119	-	-	226,119
Administrative and office supplies	16,171	18,296	26,673	23,404	101,151	4,254	189,949	26,668	7,606	224,223
Occupancy	16,105	18,221	26,564	23,308	100,738	4,237	189,173	26,561	7,575	223,309
Depreciation and amortization	15,881	17,967	26,195	22,984	99,337	4,178	186,542	26,196	7,470	220,208
Program equipment and supplies	12,424	16,679	29,889	11,007	69,919	9,559	149,477	3,154	-	152,631
Program rent	-	-	161,817	-	-	-	161,817	-	-	161,817
Provision for bad debts	-	-	-	-	133,512	23,561	157,073	-	-	157,073
Fundraising	-	-	-	-	-	-	-	-	68,383	68,383
Total functional expenses	$ 261,054	$ 298,167	$ 597,595	$ 367,144	$ 1,802,978	$ 258,035	$ 3,584,973	$ 409,034	$ 184,127	$ 4,178,134

The accompanying notes are an integral part of this statement.

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

Turning Point Behavioral Health Care Center (the "Organization"), a not-for-profit organization, operates an outpatient community mental health center providing services to adults, adolescents, and children residing in Niles Township, Illinois and neighboring communities.

The financial statements were available to be issued on December 22, 2020, 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 Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions – Net assets subjects to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization 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.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

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

Concentrations of Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization 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 Organization has not experienced any losses in such accounts.

Receivables -

Accounts, grants, and pledges receivable arise in the normal course of the Organization's activities. The Organization 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. Bad debt expense for the years ended June 30, 2020 and 2019 totaled $-0- and $157,073, respectively.

Investments -

The Organization has investments that are comprised of mutual funds, common stock, corporate bonds, municipal bonds, exchange traded funds, and money markets that are carried at fair market value.

Investment 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.

Property and Equipment -

Property and equipment are stated at cost if purchased or fair value if contributed. The Organization capitalizes fixed asset additions over $500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Below are the estimated useful lives of the assets:

Furniture and office equipment	5 - 15 years
Vehicles	7 years
Building improvements	7 - 27 years
Buildings	50 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.

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

Impairment of Long-Lived Assets -

The Organization 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, 2020 and 2019, there have been no such losses.

Intangible Assets -

The Organization incurred the following costs related to intangible assets as of June 30, 2020 and 2019:

	2020	2019
Website	$ 31,355	$ 31,355
EMR System	92,515	82,515
	123,870	113,870
Less: Accumulated amortization	(85,783)	(67,936)
Net intangible assets	$ 38,087	$ 45,934

Under Accounting Standards Codification ("ASC") 350, these costs are recognized as an intangible asset and are being amortized using the straight-line method over five - seven years. Amortization expense related to these assets totaled $17,847 and $18,059 for the years ended June 30, 2020 and 2019, respectively.

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, administrative and office supplies, occupancy, depreciation and amortization, and program equipment and supplies which are allocated on the basis of estimates of time and effort.

Income Taxes -

The Organization 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.

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

Income Taxes - (Continued)

The Organization files informational returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization 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 2017. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Revenue Recognition for Program Fees -

The Organization receives program fees from the Illinois Department of Human Services (DHS) through fee for service arrangements. The Organization bills for various services provided to DHS based on preapproved rates for each service provided. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided.

The Organization receives program service fees in exchange for providing patient care services. The organization bills these services based on preapproved rates for the services provided. These patient care services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is considered met, and revenue is recognized, when the services are provided to the patients

The Organization 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.

Revenue Recognition for 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.

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

New Accounting Pronouncement -

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue, and cashflows arising from contracts with customers.

The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019

Also, Effective January 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

The adoption of these new standards did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of these new standards which would require a cumulative adjustment to net assets at the date of adoption under the modified retrospective method.

Reclassification -

Prior year amounts have been reclassified to be consistent with current year presentation.

(2) CONCENTRATIONS:

The Organization received approximately 66% of its total revenues and support from the Illinois Department of Human Services for the years ended June 30, 2020 and 2019.

Receivables from the Illinois Department of Human Services represented 45% and 86% of total receivables at June 30, 2020 and 2019, respectively.

(3) 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, 2020 and 2019.

Exchange Traded Funds and Common Stocks: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Corporate Bonds: Valued at the last quoted bid price.

Municipal Bonds: Valued at the last quoted bid price.

(3) FAIR VALUE MEASUREMENTS: (Continued)

Fair values of assets measured on a recurring basis were as follows:

	Assets at Fair Value as of June 30, 2020			
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 143,126	$ -	$ -	$ 143,126
Common stocks	387,101	-	-	387,101
Exchange traded funds	123,344	-	-	123,344
Corporate bonds	-	164,136	-	164,136
Municipal bonds	-	94,927	-	94,927
Total	$ 653,571	$ 259,063	$ -	$ 912,634

	Assets at Fair Value as of June 30, 2019			
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 92,145	$ -	$ -	$ 92,145
Common stocks	479,045	-	-	479,045
Exchange traded funds	146,500	-	-	146,500
Mutual funds	292,723	-	-	292,723
Corporate bonds	-	164,844	-	164,844
Municipal bonds	-	93,983	-	93,983
Total	$ 1,010,413	$ 258,827	$ -	$ 1,269,240

(4) RECEIVABLES:

Receivables at June 30, 2020 and 2019 consist of:

	2020	2019
Accounts receivable	$ 271,685	$ 139,245
Grants receivable	229,243	47,520
Pledges receivable	-	10,665
Receivables, net of allowance	$ 500,928	$ 197,430

(5) PROPERTY AND EQUIPMENT:

The costs of the Organization's property and equipment as of June 30, 2020 and 2019 were as follows:

(5) PROPERTY AND EQUIPMENT: (Continued)

	2020	2019
Land	$ 415,721	$ 415,721
Building	1,543,468	1,543,468
Building improvements	2,378,377	2,350,151
Furniture and equipment	531,087	524,938
Vehicles	62,294	62,294
	4,930,947	4,896,572
Less: Accumulated depreciation	(2,104,694)	(1,906,650)
Net property and equipment	$ 2,826,253	$ 2,989,922

Depreciation expense for the years ended June 30, 2020 and 2019 was $198,047 and $199,607, respectively.

(6) LINE OF CREDIT:

The Organization had a $750,000 bank line of credit due January 26, 2020, secured by all business assets, and bearing interest at 0.5% over the prime rate, with a 4.00% floor. On March 2, 2020, the Organization entered into a refinancing agreement, wherein part of the loan proceeds was used to pay the outstanding balance on the line of credit. The balance of the line at June 30, 2019 was $750,000 and as of June 30, 2020 the Organization did not have this line of credit.

The Organization opened a line of credit in a $250,000 bank line of credit in March 2020. The line bears interest at the prime rate (3.25% at June 30, 2020) as reported in the Wall Street Journal and is secured by investments of the Organization. As of June 30, 2020, the organization did not have any draws against the line. As part of the agreement, the Organization must maintain a debt service coverage ratio in excess of 1.1 to 1. The Organization must also maintain net assets of $2,000,000 measured on an annual basis. As of June 30, 2020 no covenant requirements are required.

(7) NOTES PAYABLE:

	2020	2019
Notes payable from First Bank and Trust; Matured in December 2019 with an interest rate of 5.25%. During 2020, the note was refinanced into the Byline Bank note below.	$ -	$ 781,474
Notes payable from Illinois Facilities Fund- Land and Buildings; matures in January 2025 with an interest rate of 3.5%	178,145	213,364

(7) NOTES PAYABLE: (Continued)

	2020	2019
Notes payable from Byline Bank, matures June 2025 with an interest rate of 5.00%, plus an estimated balloon payment of $1,276,626	$ 1,515,740	$ -
Total notes payable	1,693,885	994,838
Less - Current maturities	(82,512)	(816,693)
	1,611,373	178,145
Less - unamortized debt issuance cost	(4,716)	(4,675)
Notes payable - long-term	$ 1,606,657	$ 173,470

Maturities on long-term debt are as follows:

Year Ending June 30,	
2021	$ 82,512
2022	86,165
2023	89,984
2024	93,978
2025	1,341,246
	$ 1,693,885

(8) NET ASSETS:

The Organization's net assets with donor restrictions, as of June 30, were as follows:

	2020	2019
Operation of medical center	$ 135,000	$ 180,000
Time restricted	123,900	-
	$ 258,900	$ 180,000

(8) NET ASSETS: (Continued)

The Organization's net assets without donor restrictions, as of June 30, were as follows:

	2020	2019
General	$ 1,618,400	$ 1,246,827
Board designated investments	912,634	1,269,240
	$ 2,531,034	$ 2,516,067

(9) RENTAL INCOME:

The Organization leases portions of its office space to various, unrelated third parties, that expire at various dates through June 2024. Rental income for the years ended June 30, 2020 and June 30, 2019 was $91,614 and $50,158, respectively.

Future minimum rents to be received are as follows:

Year Ending June 30,	
2021	$ 75,962
2022	77,314
2023	79,633
2024	40,843
	$ 273,752

(10) LEASE COMMITMENTS:

The Organization leases several residential apartments for participants in the Supported Residential Program. Rent expense under these leases was $152,647 and $161,817 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rent payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending June 30,	
2021	$ 86,550
2022	7,800
	$ 94,350

(11) RETIREMENT PLAN:

The Organization maintains a non-contributory defined contribution retirement plan which covers substantially all employees who meet certain eligibility requirements. Some employees of the Organization are, at their own option, participating in tax deferred annuity programs. Each participant can contribute a portion of current earnings on a tax deferred basis. For the years ended June 30, 2020 and 2019, there were no employer contributions to the plan.

(12) CONDITIONAL GRANT:

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April, 2020, the Organization obtained a Payroll Protection Program (PPP) loan in the amount of $433,200. The interest rate on this loan is 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, with the final payment due in April, 2022. As part of the PPP loan agreement, all or a portion of the loan can be forgiven. The Organization intends to maximize the forgiven portion of this loan as allowed under the Act.

The Organization has determined that the loan represents, in substance, a conditional grant as allowed under ASC 958-605 which recognizes revenue on nonexchange transactions when the barriers to the grants have been met. Per stipulations outlined in the CARES Act, the Organization is using the monies from the PPP loan to fund payroll and other costs. Accordingly, the Organization recognizes a portion of the loan as contribution at the end of each payroll period that is funded by the PPP monies.

Funds received under PPP conditional grant	$ 433,200
Payroll expenses funded by PPP conditional grant	318,839
Refundable advance as of June 30, 2020	$ 114,361

(13) LIQUIDITY AND AVAILABILITY OF RESOURCES:

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

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 443,710	$ 166,934
Accounts receivable	500,928	197,430
Investments	912,634	1,269,240
Total financial assets	1,857,272	1,633,604

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

Less:		
Assets with donor restrictions	$ (258,900)	$ (180,000)
Board-designated investment fund	(912,634)	(1,269,240)
	(1,171,534)	(1,449,240)
Assets available for general expenditures	$ 685,738	$ 184,364

The Organization 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 Organization deem necessary; however, the investments are not expected to be used within one year.

(14) MANAGEMENT'S RESPONSE TO EFFECTS OF COVID-19 PANDEMIC:

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a part of these mitigation measures the Organization, began using telehealth for its counseling sessions with clients. The Organization also received a PPP loan through the CARES Act (see note 12) to help cover payroll costs during the pandemic.

The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements in fiscal year 21.