THE JOSSELYN CENTER, NFP

FINANCIAL STATEMENTS
AS OF JUNE 30, 2023

TOGETHER WITH AUDITOR'S REPORT

Dugan + Lopatka
Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, cash flows, and functional expenses 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 Josselyn Center, NFP as of June 30, 2023, 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 audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, which 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 Responsibility 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 judgement 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 judgement 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, which 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.

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* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024 on our consideration of The Josselyn Center, NFP'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 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 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 Josselyn Center, NFP's internal control over financial reporting and compliance.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
July 1, 2024

EXHIBIT 1

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

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 2,553,496
Investments	902,258
Grants receivable	282,957
Client fees receivable, net	1,018,355
Current portion of pledges receivable, net of allowance and discount	237,476
Other accounts receivable	579,283
Prepaid expenses	77,885
Total current assets	5,651,710
LONG-TERM ASSETS:	
Property and equipment, net	9,229,353
Website	63,443
Membership interest	50,000
Pledge receivable, net of current portion, allowance and discount	133,599
Right-of-use asset - operating lease	2,876,309
Investments - donor restricted	1,822,506
Investments - board designated	336,041
Total other assets	14,511,251
Total assets	$ 20,162,961

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 1,030,141
Accrued expenses	1,065,663
Notes payable, current maturities	940,000
Line of credit	1,700,000
Operating lease liability, current portion	506,589
Total current liabilities	5,242,393
LONG-TERM LIABILITIES:	
Operating lease liability, net of current	2,408,475
Notes payable, net of current maturities	1,836,667
Total long-liabilities	4,245,142
Total liabilities	9,487,535
NET ASSETS:	
Without donor restrictions - undesignated	4,388,135
Without donor restrictions - board designated	336,041
With donor restrictions	5,951,250
Total net assets	10,675,426
Total liabilities and net assets	$ 20,162,961

The accompanying notes are an integral part of this statement.

THE JOSSELYN CENTER NFP
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Revenues, Gains, and Other Support -			
Contributions	$ 517,219	$ 2,330,730	$ 2,847,949
Client and education fees - third party	13,275,420	-	13,275,420
Government grants	2,492,795	3,873,846	6,366,641
Employee retention tax credit	28,138	-	28,138
Special events, net of expenses of $103,842	378,791	-	378,791
Rental income	27,998	-	27,998
United Way support	4,239	-	4,239
Investment income	88,349	209,295	297,644
Other income	47,216	-	47,216
Net assets released from restrictions	2,385,127	(2,385,127)	-
Total Revenues, Gains, and Other Support	19,245,292	4,028,744	23,274,036
EXPENSES:			
Program services	17,269,158	-	17,269,158
Management and general	3,574,150	-	3,574,150
Fundraising	541,304	-	541,304
Total expenses	21,384,612	-	21,384,612
CHANGE IN NET ASSETS	(2,139,320)	4,028,744	1,889,424
NET ASSETS, Beginning of year	6,863,496	1,922,506	8,786,002
NET ASSETS, End of year	$ 4,724,176	$ 5,951,250	$ 10,675,426

The accompanying notes are an integral part of this statement.

EXHIBIT 3

THE JOSSELYN CENTER NFP
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in total net assets	$ 1,889,424
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Depreciation and amortization	388,910
Bad debt expense	1,332,318
Cash contributions received in current year for long-term purposes	(4,128,744)
Non-cash portion of lease expense for operating leases	433,849
Net realized and unrealized (gain) on investments	(225,564)
Change in assets and liabilities:	
Decrease in grants receivable	642,730
(Increase) in client fees receivable	(605,773)
Decrease in pledges receivable	165,001
(Increase) in other receivables	(28,318)
Decrease in prepaid expenses	259,001
Increase in accounts payable	495,149
(Decrease) in accrued expenses	(33,932)
(Decrease) in operating lease liabilities	(495,326)
Net cash provided by operating activities	88,725
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(324,988)
Purchases of investments	(647,421)
Proceeds from sale of investments	404,010
Net cash (used in) investing activities	(568,399)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for long-term purposes	4,128,744
Payments on notes payable	(1,360,006)
Net cash provided by financing activities	2,768,738
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,289,064
CASH AND CASH EQUIVALENTS, Beginning of year	264,432
CASH AND CASH EQUIVALENTS, End of year	$ 2,553,496
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	$ 368,095
Right of use assets acquired through operating lease	$ 3,310,158

The accompanying notes are an integral part of this statement.

THE JOSSELYN CENTER, NFP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management & General	Fundraising	Total
Salaries and wages	$ 10,877,680	$ 2,337,684	$ 349,894	$ 13,565,258
Payroll taxes and benefits	694,624	180,904	28,990	904,518
Bad debt	1,332,318	-	-	1,332,318
Professional fees	497,429	132,648	33,162	663,239
Supplies	96,759	25,803	6,451	129,013
Printing	11,982	3,195	799	15,976
Advertising	39,403	10,507	2,627	52,537
Telephone	195,748	42,600	1,854	240,202
Postage and shipping	4,402	1,174	294	5,870
Depreciation and amortization	316,931	68,974	3,005	388,910
Occupancy	916,678	199,497	8,684	1,124,859
Property tax expense	139,150	30,283	1,318	170,751
Transportation	8,991	2,397	599	11,987
Meals	12,502	3,334	834	16,670
Membership dues	9,339	2,491	623	12,453
Billing and credentialing	179,458	-	-	179,458
Repairs and maintenance	31,524	8,406	2,102	42,032
Insurance	201,768	53,805	13,451	269,024
Retirement plan	212,605	54,071	3,678	270,354
Staff development	158,985	67,117	16,779	242,881
Interest expense	276,071	73,619	18,405	368,095
Employee health insurance	898,192	233,876	37,313	1,169,381
Miscellaneous	156,619	41,765	10,442	208,826
Total functional expenses	$ 17,269,158	$ 3,574,150	$ 541,304	$ 21,384,612

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 July 1, 2024, 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.

Receivables -

Accounts, grants, and pledges receivable arise in the normal course of the Center's activities. 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. Bad debt expense for the year ended June 30, 2023, was $1,332,318 and allowance was $700,000 as of June 30, 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.

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.

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

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, 2023 there have been no such losses.

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 2020. 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.

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

Revenue Recognition for Program Fees - (Continued)

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.

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.

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, 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.

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

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.

New Accounting Pronouncement -

Effective July 1, 2022, the Center adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Center's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Center is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Center is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of July 1, 2022. As a result of implementation, the Center recorded additional lease assets and lease liabilities of $1,706,212 as of July 1, 2022. Upon implementation, the Center elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Center to carry forward the historical lease identification, classification and initial direct costs associated with the Center's pre-existing leases. The implementation of the amendments did not materially impact the Center's net earnings or cash flows.

(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 years 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.

(4) FAIR VALUE MEASUREMENTS: (Continued)

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, 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.

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

	June 30, 2023			
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 370,658	$ -	$ -	$ 370,658
Fixed income	1,054,698	-	-	1,054,698
Equities	1,605,370	-	-	1,605,370
Mutual fund alternatives	30,079	-	-	30,079
Total	$ 3,060,805	$	$ -	$ 3,060,805

(5) INVESTMENTS:

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

Interest and dividend income	$ 72,080
Realized gains	159,496
Unrealized gains	66,068
Total investment income	$ 297,644

(6) PLEDGES RECEIVABLES:

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

Receivable in less than one year	$ 237,476
Receivable in greater than one year and less than five years	180,000
Total unconditional promises to give	417,476
Less - Discounts to net present value	(20,741)
- Allowance for doubtful accounts	(25,660)
Net unconditional promise to give	$ 371,075

(7) PROPERTY AND EQUIPMENT:

The costs of the Center's property and equipment were as follows:

Land	$ 89,007
Building and improvements	9,752,026
Furniture and equipment	890,106
Total property and equipment	10,731,139
Less: Accumulated depreciation	(1,501,786)
Net property and equipment	$ 9,229,353

Depreciation expense for the years ended June 30, 2023 was $388,910.

(8) NOTES PAYABLE:

The Center had the following notes payable:

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 subsequent to year end. See Note 16.	$ 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 subsequent to year end. See Note 16.	2,596,667
Total notes payable	2,776,667
Less - Current maturities	940,000
Notes payable - long-term	$ 1,836,667

Maturities on long-term debt are as follows:

Year Ending June 30,	
2024	$ 940,000
2025	760,000
2026	760,000
2027	316,667
	$ 2,776,667

(9) 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 August, 15 2023. It bears interest at the prime rate less 0.50% (7.75% at June 30, 2023). The amount outstanding as of June 30, 2023 was $1,700,000. The line of credit was refinanced after year end (See note 15).

(10) NET ASSETS:

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

Leo T. Murphy endowment net assets	$ 221,160
Dottie Palombo Children and Adolescent Service Endowment net assets	114,881
Total net assets without donor restrictions	$ 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.

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:

Halsey Early Poronto, Grace K. Poronto and Halsey Earl Poronto Jr. Memorial Endowment Net Assets	$ 1,822,506
Black, Indigenous and People of Color Scholarship Initiative	100,000
Capital Campaign	4,028,744
	$ 5,951,250

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.

(11) LEASES: (Continued)

The components of lease expense are as follows:

Operating lease cost	$ 460,585
Short-term lease cost	65,873
Total lease expense	$ 526,458

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

Future minimum lease payments under noncancelable leases are as follows:

2024	$ 551,415
2025	564,274
2026	577,306
2027	590,569
2028	266,288
Thereafter	663,917
Total future minimum lease payments	3,213,769
Less imputed interest included	(298,705)
Present value of net minimum lease payments	$ 2,915,064

The following provides additional information related to the Center's leases as of and for the year ended June 30, 2023:

Current portion of lease liabilities	$ 506,589
Long-term portion of lease liabilities	2,408,475
Total lease liabilities	$ 2,915,064
Weighted average lease term	6.07 years
Weighted average discount rate	2.58%

Cash paid for amounts included in the measurements of the Center's leases for the year ended June 30, 2023 is as follows:

Operating cash from operating leases	$ 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 is as follows:

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

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, 2023 totaled $270,354.

(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:

Financial assets:	
Cash and cash equivalents	$ 2,553,496
Accounts receivable	2,251,670
Investments	3,060,805
Total financial assets	7,865,971
Less:	
Assets with donor restrictions	3,620,453
Board-designated investment fund	336,041
	3,956,494
Assets available for general expenditures	$ 3,909,477

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 filed for refunds of the ERC and has not received any funds to date.

(16) SUBSEQUENT EVENTS:

In August, 2023 the Center purchase a new building for approximately $2.4 million with the capital campaign contributions collected during the year ended June 30, 2023.

(16) SUBSEQUENT EVENTS: (Continued)

In October 2023, the Center sold one of their buildings which resulted in the Center receiving cash of approximately $1.9 million.

In October 2023 the Center refinanced its notes payable and line of credits with a bank. The new note was for $3,732,731 and matures in November 2028. The note bears variable interest rate using SOFR (Secured Overnight Funding Rate) plus margin for a period of 1 month and secured by a building. The note payable as a monthly principal amount of $6,929 for the first twelve months. The line of credit has a maximum amount of $750,000 and matures in October 2024. The line of credit bears an interest rate of prime less .25% (8.25% as of October 2023)

Dugan+ Lopatka

Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

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 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 The Josselyn Center, NFP. (the Center) which comprise the statement of financial position as of June 30, 2023, 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 July 1, 2024.

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 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned cost as items 2023-001 to be material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2023-002 to be significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of 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

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
July 1, 2024

Dugan + Lopatka

Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 identified as subject to audit 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, 2023. 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, 2023.

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.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit compliance and, accordingly, we express no opinion on the response.

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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dugan + Lopatka
DUGAN & LOPATKA

Warrenville, Illinois
July 1, 2024

THE JOSSELYN CENTER, NFP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Pass-through Number	Total Program Expenditures
Department of Health and Human Services:				
Block Grants for Community Mental Health Services	93.958			$ 2,366,184*
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243			126,611
Total Department of Health and Human Services				2,492,795
TOTAL EXPENDITURE OF FEDERAL AWARDS				$ 2,492,795

THE JOSSELYN CENTER, NFP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of The Josselyn Center, NFP (the Center) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, represent the financial position, changes in net assets, or cash flows of the Center.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

The Center has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

The Center did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2023 and did not receive any federal non-cash awards during the year ended June 30, 2023. The Center does not have any sub-recipients during the year ended June 30, 2023.

THE JOSSELYN CENTER, NFP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of The Josselyn Center, NFP.

2. There was one material weakness disclosed during the audit of the financial statements. There is one significant deficiency related to the audit of the financial statements reported.

3. No instances of noncompliance material to the financial statements of The Josselyn Center, NFP were disclosed during the audit.

4. There were no material weaknesses disclosed during the audit of the major federal award programs. There were no significant deficiencies related to the audit of the major federal award program reported.

5. The auditor's report on compliance for the major federal award programs for The Josselyn Center expresses an unmodified opinion on all major federal programs.

6. There was one audit finding disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The programs tested as major programs included:

Block Grants for Community Mental Health Services	93.958

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Josselyn Center, NFP was determined not to be a low-risk auditee.

THE JOSSELYN CENTER, NFP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part 2: FINDINGS – FINANCIAL STATEMENTS AUDIT (GAGAS):

2023-001 (Repeating finding 2022-001)

Criteria: Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit,* a deficiency in internal control exists when the design or operations 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 reasonably possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit,* states that any material adjustment made by an auditor is considered a material weakness.

Condition: There were audit adjustments that materially changed the ending balance of investments, accounts receivable, and net assets for The Josselyn Center, NFP as of June 30, 2023. The investment balance was overstated by approximately $425,000 due to the investment accounts being reconciled on a monthly basis, but when the fiscal year 2022 adjusting journal entries were posted after the accounts were reconciled, the investment balances were not reviewed ensure the balances were still reconcile. Accounts receivables were overstated by approximately $2.5 million due to recording services at a rate higher than the actual rate earned for a portion of the year and, not properly clearing out receivables when payments were received or writing off old receivables due to the reports CIS software provides on past receivables. Net assets were overstated by approximately $440,000 due to the prior year's audit adjustments being improperly recorded.

Cause: The investment statements did not agree to the statement balances because after the investment accounts were reconciled, the audit adjustments from fiscal year 2022 were posted, which impacted the investment balances per the general ledger, the balances were not reviewed to ensure they still reconciled to the statements. For receivables, revenues recorded for services for the first nine months of the year were recorded at rates higher than the amounts actually paid and the write-offs for denials, unrecoverable errors and forgiven balances were not posted in the accounting system throughout the years ended June 30, 2023, 2022, and 2021. The residual amounts of these write-offs remained in the balance throughout the years. The adjusting entries for the prior year audit were not reversed at the beginning of fiscal year 2023.

Effect: The investment asset and revenue accounts were overstated resulting in an inflated balance sheet and change in net assets. The accounts receivable balance was unable to be reconciled to the general ledger from the CIS reports. The excess amounts of services charged in the general ledger over the amounts actually paid, and the write-offs for the previous fiscal years remained in the receivables account causing the balance to be overstated. Net assets would not roll forward from the prior years' audit report.

Auditor's Recommendation: We recommend that when there are adjustments are made that management review accounts to ensure they still tie to the reconciliation completed. We recommend reconciling the receivables accounts to verify the actual rates of services provided, write-offs for denials, unrecoverable errors, and forgiven balances are recorded to the proper receivable account on a monthly basis. We recommend the adjusting entries provided to the center be entered and reversed into the account system and accounts reconciled to the audited trial balance.

THE JOSSELYN CENTER, NFP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part 2: FINDINGS – FINANCIAL STATEMENTS AUDIT (GAGAS): (Continued)

Management response: Management understands the finding. For the current FY 24 Management has reconciled the statements monthly and will check for any reversals necessary once the FY 23 audit adjusting journal entries has been completed. Regarding the billings/AR adjustments, Management agrees that the years before FY 23 overstated receivables by booking the full amount billed by CIS and an overall cleanup was necessary. During April 23 a large portion of the problem was eliminated by booking the CIS estimated adjusted payment instead of the full bill amount, but it was not applied to the previous month's billings. Management also agrees that timely reconciliation between the total of the billing systems agrees to the general ledger for accounts receivable and have implemented that process for all of FY 24 and going forward.

2023-002 (Repeat finding 2022-003)

Criteria: Under AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit,* a deficiency in internal control exists when the design or operations 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal controls that is less serve than a material weakness, yet important enough to merit attention by those charged with governance. We consider the condition mentioned below is a significant deficiency.

Condition: During the audit, we noted that management was not able to provide documents to substantiate ending balances of accounts receivable in a timely manner.

Cause: During 2023 management determined that the process of recording receivables for the CIS billings was not accurate, and implemented a change during April 2023 to record receivables at a more accurate rate; however, the adjusted process was not applied to receivables recorded before this change. The Center also had seen a growth in services, which has put additional stress on the billing/cash receipts side of the accounting department. The Center also had turnover in the past few years in the accounting department, which resulted in the accounting department getting behind in performing reconciliation or cleaning up the errors in general ledger from previous years.

Effect: The effect of not having accurate accounts receivable balances on general ledger and not being able provide supporting documentation in an efficient manner resulted in delay of completing the audit in a timely manner.

Auditor's Recommendation: We recommend that the accounting department reconciles the general ledger for receivables to their billing system in totals on a timely basis.

Management response: Management agrees with the finding. A new process to record revenue and receivables was implemented during April 2023, which records earned services at a more accurate rate and provides more timely supporting documentation for those balances. Management believes this new process has alleviated the problem of receivables and supporting documentation.

THE JOSSELYN CENTER, NFP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part 3: AUDIT FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT:

Department of Health and Human Services
2023-003
Block Grants for Community Mental Health Services

Criteria: Under 2 CFR 200.430(i)(1)(i) charges to Federal Awards for salaries and wages must be based on records that accurately reflect work performed and be supported with documentation that reasonable assure that the charges are accurate, allowable, and properly allocation and reasonably reflect the total activity for which the employee is compensated.

Condition: The documentation to support reasonable assurance for salaries and wages consisted of documentation of when employees completed a therapy session but no clear documentation of how much time when employees were on-call or completed case notes for this grant.

Cause: The documentation to support time and effort of employee's salaries did not include all of the hour's employees spent on the grant. The Center employees spend hours working outside the therapy session that relate to providing the best help for their clients' needs.

Effect: There is not proper documentation to support the allocation of time and effort that was charged to the grant.

Auditor's Recommendation: We recommend The Center remind its employees complete a personnel activity report that show all of the hours employees spend on the grant not rely just hours documented in the Center system used to track therapy sessions.

Management response: While each grant budget and requirement is different, Management agrees with the recommendation as a more complete process for documenting the time and will work towards implementing the additional time coverage to our procedures.

EXHIBIT 7

THE JOSSELYN CENTER, NFP
SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2023

2022-001

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 statement of activities accounts to the correct ending balance under generally accepted accounting principles.

Recommendations: The predecessor auditors recommend that standard procedures and account analysis and review be performed at interim and year-end to avoid overlooking necessary account adjustments.

Status: Repeat finding, see 2023-001

2022-002

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

Recommendations: The predecessor auditor recommended that standard procedures and account analysis and review be at interim and year-end to avoid overlooking necessary account adjustments.

Status: Finding was not repeated.

2022-003

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

Recommendations: The predecessor auditor recommended that a clear, written record-retention policy be put into place to help ensure appropriate records are available when they are needed.

Status: Finding was repeated, see 2023-002