



815.344.1300 mchenry  
847.382.3366 barrington  
www.edercasella.com

***FAMILY HEALTH PARTNERSHIP***  
***AUDITED FINANCIAL STATEMENTS***  
***JUNE 30, 2016***

**eder, casella & co.**

FAMILY HEALTH PARTNERSHIP

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Family Health Partnership  
Crystal Lake, Illinois

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

We have audited the accompanying financial statements of

FAMILY HEALTH PARTNERSHIP  
(a nonprofit organization)

which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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. 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.

eder, casella & co.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Health Partnership as of June 30, 2016, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenses with Allocations of Management and General and Fundraising Expenses – McHenry County Mental Health Board Grant Breakout on page 12 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.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
August 4, 2016

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016

ASSETS

Cash and Cash Equivalents		\$ 804,521
Investments, at fair value		36,232
Prepaid Gift Cards		1,315
Grants Receivable, net of allowance of \$0		15,813
Pledges Receivable, net of discount of \$0		35,250
Prepaid Expenses		12,401
Security Deposits		5,982
Fixed Assets		
Land	\$ 411,599	
Building	2,026,105	
Computer Equipment	45,948	
Medical Equipment	70,243	
Office Equipment	82,869	
Assets Not Placed Into Service	6,950	
	\$ 2,643,714	
Less: Accumulated Depreciation	(241,299)	
Net Fixed Assets		2,402,415
 TOTAL ASSETS		 \$ 3,313,929

LIABILITIES

Accounts Payable	\$ 55,102	
Credit Card Payable	4,642	
Accrued Payroll and Compensated Absences	41,402	
United Way Payable	41	
Total Liabilities	\$ 101,187	

NET ASSETS

Unrestricted	\$ 2,908,526	
Temporarily Restricted	304,216	
Total Net Assets	3,212,742	

TOTAL LIABILITIES AND NET ASSETS		\$ 3,313,929
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The Notes to Financial Statements are an integral part of this statement.

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 319,709	\$ 208,398	\$ 528,107
Contributions	526,899	-	526,899
Program Service Fees	226,197	-	226,197
Donated Goods and Services	480,080	-	480,080
Special Events	266,603	-	266,603
United Way of Greater McHenry County	63,000	-	63,000
Interest Income	2,114	-	2,114
Unrealized Gain/(Loss) on Investments	697	-	697
Net Assets Released from Restrictions	210,212	(210,212)	-
Total Revenues, Gains, and Other Support	<u>\$ 2,095,511</u>	<u>\$ (1,814)</u>	<u>\$ 2,093,697</u>
EXPENSES			
Program Services			
Medical Services	\$ 1,700,909	\$ -	\$ 1,700,909
Supporting Services			
Management and General	116,256	-	116,256
Fundraising	243,363	-	243,363
Total Expenses	<u>\$ 2,060,528</u>	<u>\$ -</u>	<u>\$ 2,060,528</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 34,983	\$ (1,814)	\$ 33,169
OTHER CHANGES			
Donations for Capital Campaign	<u>-</u>	<u>8,683</u>	<u>8,683</u>
CHANGE IN NET ASSETS	\$ 34,983	\$ 6,869	\$ 41,852
NET ASSETS AT BEGINNING OF YEAR	<u>2,873,543</u>	<u>297,347</u>	<u>3,170,890</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 2,908,526</u></u>	<u><u>\$ 304,216</u></u>	<u><u>\$ 3,212,742</u></u>

The Notes to Financial Statements are an integral part of this statement.

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL
	MEDICAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES		
Leased Employee Expense	\$ 926,129	\$ 76,707	\$ 128,902	\$ 205,609	\$ 1,131,738	
Accounting Fees	6,703	491	981	1,472	8,175	
Professional Fees	351,874	1,301	267	1,568	353,442	
Mental Health Professional Fees	200	-	-	-	200	
Clinical Expenses	246,167	-	-	-	246,167	
Office and Computer Supplies	10,473	1,764	2,607	4,371	14,844	
Internet Costs	1,299	650	217	867	2,166	
Telephone	4,176	2,088	696	2,784	6,960	
Postage and Delivery	3,288	986	6,317	7,303	10,591	
Equipment Rental and Maintenance	875	437	146	583	1,458	
Printing and Copying	1,094	12	9,959	9,971	11,065	
Books, Subscriptions and Reference	23,127	319	1,130	1,449	24,576	
Office and Storage Rent	191	-	-	-	191	
Janitorial	9,902	1,165	582	1,747	11,649	
Utilities	6,644	782	391	1,173	7,817	
Repairs and Maintenance	3,302	388	194	582	3,884	
Association Fees	14,495	1,705	853	2,558	17,053	
Mortgage Interest	3,072	362	181	543	3,615	
Travel and Meetings Expenses	7,136	936	2,103	3,039	10,175	
Depreciation	38,854	19,426	6,475	25,901	64,755	
Insurance Expense	29,843	4,959	531	5,490	35,333	
Membership Dues	2,200	649	-	649	2,849	
Staff Development	1,701	359	296	655	2,356	
Advertising	3,430	-	6,269	6,269	9,699	
Recognition, Awards and Gifts	1,445	660	303	963	2,408	
Credit Card Fees	2,269	-	6,086	6,086	8,355	
Bank Charges	10	80	-	80	90	
Licenses and Permits	1,010	30	10	40	1,050	
Special Events	-	-	67,867	67,867	67,867	
	<u>\$ 1,700,909</u>	<u>\$ 116,256</u>	<u>\$ 243,363</u>	<u>\$ 359,619</u>	<u>\$ 2,060,528</u>	

The Notes to Financial Statements are an integral part of this statement.

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	41,852
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation		64,755
(Gains) and Losses on Investments		(697)
Decrease/(Increase) in Assets:		
Prepaid Gift Cards		(335)
Grants Receivable		7,640
Pledges Receivable		68,609
Prepaid Expenses		(226)
Increase/(Decrease) in Liabilities:		
Accounts Payable		34,595
Credit Card Payable		(6,074)
Accrued Payroll and Compensated Absences		10,555
United Way Payable		41
		<u>41</u>
Net Cash Flows Provided/(Used) by Operating Activities	\$	220,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$	(6,950)
(Purchase)/Redemption of Investments		<u>(3,528)</u>
Net Cash Flows Provided/(Used) by Investing Activities		(10,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Construction Loan	\$	<u>(155,000)</u>
Net Cash Flows Provided/(Used) by Financing Activities		<u>(155,000)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	55,237
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>749,284</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>804,521</u></u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	\$	3,615

The Notes to Financial Statements are an integral part of this statement.



FAMILY HEALTH PARTNERSHIP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Family Health Partnership (Organization), which began its operations in 1998, is located in Crystal Lake, Illinois. The Organization provides health care services to uninsured and underinsured residents of McHenry County. The Organization is a not-for-profit corporation, and all contributions are tax deductible under the Internal Revenue Code of 1986, Section 501c(3).

The Organization is supported primarily through grants, fee for service programs and general contributions.

A. *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. At June 30, 2016 the Organization had \$304,216 of temporarily restricted net assets.

Net assets released from donor restrictions were \$210,212 during the June 30, 2016 fiscal year.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2016 the Organization had no permanently restricted net assets.

B. *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be cash on hand, checking accounts, savings accounts, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are accounted for at cost, which equals market.

C. *Investments*

Investments are stated at fair market value. Unrealized gains and losses are included in the change in net assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Fixed Assets*

The Organization has a policy of capitalizing all expenditures for fixed assets greater than \$1,000. The fair market value of donated fixed assets is similarly capitalized. Depreciation of the fixed assets as reported has been computed by the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Website	3
Computer Equipment	3-5
Medical Equipment	7-15
Office Equipment	5-40
Building	20-40

Depreciation expense is reported as program and supporting services in the Statement of Activities.

E. *Compensated Absences*

The Organization accrues accumulated unpaid vacation when earned by the leased employee.

F. *Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

G. *Donated Services and Materials*

During the year ended June 30, 2016, the value of contributed services meeting the requirements for recognition totaled \$318,359. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled \$161,721.

H. *Functional Allocation of Expenses*

The costs of providing the programs and other activities have been summarized on a functional basis in these financial statements. All direct expenses have been allocated to the programs. In addition, various indirect expenses have been allocated to the program services using percentages as determined by management.

I. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Income Tax Status*

The Organization qualifies as a tax-exempt organization under Section 501c(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization's 2012 through 2014 tax returns are available for examination by the Internal Revenue Service.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Organization maintains its cash accounts at five local financial institutions. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at June 30, 2016 exceeded federally insured limits by \$292,486.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at June 30, 2016 are as follows:

	Fair Value Measurements Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity Securities	\$ 36,232	\$ 36,232
Total	\$ 36,232	\$ 36,232

Fair values for Equity Securities are determined by reference to quoted market prices.

NOTE 4 - CAPITAL CAMPAIGN

During fiscal year 2012, the Organization launched a capital campaign to raise funds for the construction of a new facility. As of June 30, 2016, the campaign has raised a total of \$2,777,759 of gross support, which includes \$35,250 of promises to give. All promises to give are due to be received within the next fiscal year.

NOTE 5 - FIXED ASSETS

A summary of fixed assets shows:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 411,599	\$ -	\$ 411,599
Building	2,026,105	126,700	1,899,405
Computer Equipment	45,948	41,506	4,442
Medical Equipment	70,243	40,006	30,237
Office Equipment	82,869	33,087	49,782
Website	6,950	-	6,950
	<u>\$ 2,643,714</u>	<u>\$ 241,299</u>	<u>\$ 2,402,415</u>

Depreciation expense for the year ended June 30, 2016 was \$64,755.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT

The Organization entered into a construction loan with American Community Bank on September 24, 2013. The loan was for an amount up to \$1,500,000, with draws on the loan allowed for the first year, and an interest rate of 4.00%. Interest payments are due monthly, with the principal balance being due September 24, 2017 (the maturity date of the loan). During the year ended June 30, 2014, the Organization drew \$1,280,011 on the construction loan. As of June 30, 2016 the Organization had paid off the loan in its entirety.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30, 2016 for the following purposes:

Medications	\$ 13,310
Pharmacy Technician	8,639
Chronic Disease Programs	94,444
General Operations	46,380
Nursing Support	6,375
Nurse/Interpreter	5,174
Women's Health/Cancer Screening	3,118
Mental Health	7,752
Technology/Text Messaging	24,662
Capital Campaign	94,361
	<u>\$ 304,216</u>

NOTE 8 - OPERATING LEASES, AS LESSEE

On February 27, 2014 the Organization renewed a 14-quarter lease agreement with Pitney Bowes for use of a mailing system. The lease calls for quarterly payments of \$163. Payments on this lease during the fiscal year ended June 30, 2016 totaled \$652.

Minimum annual payments on the lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 652
2018	163
	<u>\$ 815</u>

NOTE 9 - CONTINGENT ASSET

At June 30, 2016, the Organization has a contingent asset in the amount of \$41,468 which is being held by the McHenry County Community Foundation (Foundation). This amount consists of a donation and the related investment earnings on it, which was given to the Foundation to be used for the benefit of the Organization.

The Organization also has a contingent asset in the amount of \$112,783 which is being held by the Foundation and is to be used for the Organization's nurse preceptor program. This amount consists of a donation (originally \$300,000) received during fiscal year 2014 and the related investment earnings on it. The Organization did not withdraw any funds from the Foundation during the year for use in the nurse preceptor program.

These amounts are not recorded in the Organization's financial statements because the donors have explicitly granted the Foundation unilateral power to redirect the use of the assets transferred to a beneficiary other than the Organization. At this time the Organization is not aware of any plans to redirect the funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 4, 2016, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FAMILY HEALTH PARTNERSHIP  
SCHEDULE OF REVENUES AND EXPENSES WITH ALLOCATIONS OF MANAGEMENT  
AND GENERAL AND FUNDRAISING EXPENSES  
MCHENRY COUNTY MENTAL HEALTH BOARD GRANT BREAKOUT  
FOR THE YEAR ENDED JUNE 30, 2016

	MCHENRY COUNTY MENTAL HEALTH BOARD GRANT			OTHER REVENUE AND EXPENSE	TOTAL
	PROGRAM SERVICES	SUPPORTING SERVICES	MANAGEMENT AND GENERAL		
	MEDICAL SERVICES				
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Grants	\$ 63,493	\$ 13,938		\$ 450,676	\$ 528,107
Contributions	-	-		526,899	526,899
Program Service Fees	29,551	-		196,646	226,197
Donated Goods and Services	-	-		480,080	480,080
Special Events	-	-		266,603	266,603
United Way of Greater McHenry County	-	-		63,000	63,000
Interest Income	-	-		2,114	2,114
Unrealized Gain/(Loss) on Investments	-	-		697	697
<b>Total Revenues, Gains, and Other Support</b>	<b>\$ 93,044</b>	<b>\$ 13,938</b>		<b>\$ 1,986,715</b>	<b>\$ 2,093,697</b>
<b>EXPENSES</b>					
Leased Employee Expense	\$ 50,692	\$ 13,392		\$ 1,067,654	\$ 1,131,738
Accounting Fees	-	-		8,175	8,175
Professional Fees	16,992	396		336,054	353,442
Mental Health Professional Fees	200	-		-	200
Clinical Expenses	1,738	-		244,429	246,167
Office and Computer Supplies	-	1,667		13,177	14,844
Internet Costs	288	-		1,878	2,166
Telephone	1,395	-		5,565	6,960
Postage and Delivery	-	529		10,062	10,591
Equipment Rental and Maintenance	-	73		1,385	1,458
Printing and Copying	-	1,328		9,737	11,065
Books, Subscriptions and Reference	6,728	-		17,848	24,576
Office and Storage Rent	-	-		191	191
Janitorial	699	-		10,950	11,649
Utilities	469	-		7,348	7,817
Repairs and Maintenance	233	-		3,651	3,884
Association Fees	1,023	-		16,030	17,053
Mortgage Interest	217	-		3,398	3,615
Travel and Meetings Expenses	19	-		10,156	10,175
Depreciation	-	-		64,755	64,755
Insurance Expense	875	2,592		31,866	35,333
Membership Dues	-	-		2,849	2,849
Staff Development	-	-		2,356	2,356
Advertising	-	-		9,699	9,699
Recognition, Awards and Gifts	-	-		2,408	2,408
Credit Card Fees	-	-		8,355	8,355
Bank Charges	-	-		90	90
Licenses and Permits	-	-		1,050	1,050
Special Events	-	-		67,867	67,867
<b>Total Expenses</b>	<b>\$ 81,568</b>	<b>\$ 19,977</b>		<b>\$ 1,958,983</b>	<b>\$ 2,060,528</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 11,476</b>	<b>\$ (6,039)</b>		<b>\$ 27,732</b>	<b>\$ 33,169</b>
<b>OTHER CHANGES</b>					
Donations for Capital Campaign	-	-		8,683	8,683
<b>CHANGE IN NET ASSETS</b>	<b>\$ 11,476</b>	<b>\$ (6,039)</b>		<b>\$ 36,415</b>	<b>\$ 41,852</b>

See accompanying Independent Auditor's Report