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***FAMILY HEALTH PARTNERSHIP***  
***AUDITED FINANCIAL STATEMENTS***  
***JUNE 30, 2017***

**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, 2017, 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.

## 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, 2017, 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 11 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 16, 2017

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017

<b>ASSETS</b>		
Cash and Cash Equivalents		\$ 827,473
Investments, at fair value		38,770
Prepaid Gift Cards		1,645
Grants Receivable, net of allowance of \$0		80,897
Prepaid Expenses		15,325
Security Deposits		5,982
Fixed Assets		
Land	\$ 411,599	
Building	2,065,520	
Computer Equipment	45,948	
Medical Equipment	98,523	
Office Equipment	82,869	
Website	6,950	
	\$ 2,711,409	
Less: Accumulated Depreciation	(307,124)	
Net Fixed Assets		2,404,285
<b>TOTAL ASSETS</b>		<b>\$ 3,374,377</b>
 <b>LIABILITIES</b>		
Accounts Payable	\$ 22,371	
Credit Card Payable	3,787	
Accrued Payroll and Compensated Absences	50,072	
United Way Payable	42	
Total Liabilities	\$ 76,272	
 <b>NET ASSETS</b>		
Unrestricted	\$ 3,024,435	
Temporarily Restricted	273,670	
Total Net Assets	3,298,105	
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 3,374,377</b>

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

FAMILY HEALTH PARTNERSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 357,212	\$ 199,575	\$ 556,787
Contributions	499,036	-	499,036
Program Service Fees	224,229	-	224,229
Donated Goods and Services	382,197	-	382,197
Special Events	267,979	-	267,979
United Way of Greater McHenry County	54,960	-	54,960
Interest Income	2,593	-	2,593
Unrealized Gain/(Loss) on Investments	9,675	-	9,675
Miscellaneous	10,995	-	10,995
Net Assets Released from Restrictions	230,121	(230,121)	-
Total Revenues, Gains, and Other Support	<u>\$ 2,038,997</u>	<u>\$ (30,546)</u>	<u>\$ 2,008,451</u>
EXPENSES			
Program Services			
Medical Services	\$ 1,529,061	\$ -	\$ 1,529,061
Supporting Services			
Management and General	120,589	-	120,589
Fundraising	273,500	-	273,500
Total Expenses	<u>\$ 1,923,150</u>	<u>\$ -</u>	<u>\$ 1,923,150</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 115,847	\$ (30,546)	\$ 85,301
OTHER CHANGES			
Donations for Capital Campaign	62	-	62
CHANGE IN NET ASSETS	\$ 115,909	\$ (30,546)	\$ 85,363
NET ASSETS AT BEGINNING OF YEAR	<u>2,908,526</u>	<u>304,216</u>	<u>3,212,742</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,024,435</u>	<u>\$ 273,670</u>	<u>\$ 3,298,105</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, 2017

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	
Leased Employee Expense	\$ 871,092	\$ 79,167	\$ 153,167	\$ 232,334	\$ 1,103,426
Accounting Fees	6,740	506	1,179	1,685	8,425
Professional Fees	313,343	1,749	334	2,083	315,426
Nurse Practitioner Fees	8,400	-	-	-	8,400
Clinical Expenses	166,099	-	-	-	166,099
Office and Computer Supplies	14,372	2,668	2,250	4,918	19,290
Internet Costs	1,339	669	223	892	2,231
Telephone	4,250	2,124	708	2,832	7,082
Postage and Delivery	1,910	548	5,663	6,211	8,121
Equipment Rental and Maintenance	454	227	76	303	757
Printing and Copying	1,095	105	11,252	11,357	12,452
Books, Subscriptions and Reference	14,758	84	3,075	3,159	17,917
Office and Storage Rent	1,007	-	-	-	1,007
Janitorial	13,887	1,634	817	2,451	16,338
Utilities	7,180	844	422	1,266	8,446
Repairs and Maintenance	3,949	465	232	697	4,646
Association Fees	19,862	2,337	1,168	3,505	23,367
Travel and Meetings Expenses	5,202	1,989	1,842	3,831	9,033
Depreciation	39,494	19,748	6,583	26,331	65,825
Insurance Expense	25,429	4,741	439	5,180	30,609
Membership Dues	2,350	274	-	274	2,624
Staff Development	2,251	175	414	589	2,840
Advertising	910	-	7,585	7,585	8,495
Recognition, Awards and Gifts	1,382	461	461	922	2,304
Credit Card Fees	2,136	29	8,084	8,113	10,249
Bank Charges	20	-	-	-	20
Licenses and Permits	150	45	57	102	252
Special Events	-	-	67,469	67,469	67,469
	<u>\$ 1,529,061</u>	<u>\$ 120,589</u>	<u>\$ 273,500</u>	<u>\$ 394,089</u>	<u>\$ 1,923,150</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	85,363
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation		65,825
(Gains) and Losses on Investments		(3,264)
Decrease/(Increase) in Assets:		
Prepaid Gift Cards		(330)
Grants Receivable		(65,084)
Pledges Receivable		35,250
Prepaid Expenses		(2,923)
Increase/(Decrease) in Liabilities:		
Accounts Payable		(32,731)
Credit Card Payable		(856)
Accrued Payroll and Compensated Absences		8,670
United Way Payable		1
		<hr/>
Net Cash Flows Provided/(Used) by Operating Activities	\$	89,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$	(67,696)
(Purchase)/Redemption of Investments		727
		<hr/>
Net Cash Flows Provided/(Used) by Investing Activities		(66,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Flows Provided/(Used) by Financing Activities		<hr/> -
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	22,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<hr/> 804,521
CASH AND CASH EQUIVALENTS AT END OF YEAR		<hr/> <hr/> \$ 827,473
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	\$	-

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



FAMILY HEALTH PARTNERSHIP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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, 2017 the Organization had \$273,670 of temporarily restricted net assets.

Net assets released from donor restrictions were \$230,121 during the June 30, 2017 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, 2017 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.

*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:

## NOTES TO FINANCIAL STATEMENTS (Continued)

	<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, 2017, the value of contributed services meeting the requirements for recognition totaled \$315,220. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled \$66,977.

### 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.

### 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 2013 through 2015 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, 2017 exceeded federally insured limits by \$276,988.

NOTES TO FINANCIAL STATEMENTS (Continued)

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair value of assets measured on a recurring basis at June 30, 2017 are as follows:

	Fair Value Measurements Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity Securities	\$ 38,770	\$ 38,770
Total	\$ 38,770	\$ 38,770

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

**NOTE 4 - FIXED ASSETS**

A summary of fixed assets shows:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 411,599	\$ -	\$ 411,599
Building	2,065,520	177,891	1,887,629
Computer Equipment	45,948	43,839	2,109
Medical Equipment	98,523	46,362	52,161
Office Equipment	82,869	37,874	44,995
Website	6,950	1,158	5,792
	<u>\$ 2,711,409</u>	<u>\$ 307,124</u>	<u>\$ 2,404,285</u>

Depreciation expense for the year ended June 30, 2017 was \$65,825.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available at June 30, 2017 for the following purposes:

Medications/Lab Testing	\$ 6,774
Health Coaching Program	5,309
Chronic Disease Programs	74,095
General Operations	36,539
Nursing Support	7,000
Women's Health/Cancer Screening	2,544
Mental Health	29,537
Mobile Healthcare Clinic	111,872
	<u>\$ 273,670</u>

**NOTE 6 - CONTINGENT ASSET**

At June 30, 2017, the Organization has a contingent asset in the amount of \$48,995 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 \$133,259 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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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.

### **NOTE 7 – CONTINGENCIES**

On April 6, 2017 a patient of the Organization has filed a complaint alleging medical negligence for failure to diagnose a condition. This case is still in the preliminary stages of discovery and the outcome at this time is uncertain. Therefore, the Organization is unable to evaluate the likelihood of an unfavorable outcome and the related potential loss or settlement amount.

### **NOTE 8 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 16, 2017, 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, 2017

	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	\$ 70,763	\$ -	\$ -	\$ 486,024	\$ 556,787
Contributions	-	-	-	499,036	499,036
Program Service Fees	19,084	-	-	205,145	224,229
Donated Goods and Services	-	-	-	382,197	382,197
Special Events	-	-	-	267,979	267,979
United Way of Greater McHenry County	-	-	-	54,960	54,960
Interest Income	-	-	-	2,593	2,593
Unrealized Gain/(Loss) on Investments	-	-	-	9,675	9,675
Miscellaneous	-	-	-	10,995	10,995
<b>Total Revenues, Gains, and Other Support</b>	<b>\$ 89,847</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,918,604</b>	<b>\$ 2,008,451</b>
<b>EXPENSES</b>					
Leased Employee Expense	\$ 51,573	\$ 13,332	\$ -	\$ 1,038,521	\$ 1,103,426
Accounting Fees	-	-	-	8,425	8,425
Professional Fees	-	-	-	315,426	315,426
Nurse Practitioner Fees	-	-	-	8,400	8,400
Clinical Expenses	1,374	-	-	164,725	166,099
Office and Computer Supplies	-	855	-	18,435	19,290
Internet Costs	-	-	-	2,231	2,231
Telephone	306	-	-	6,776	7,082
Postage and Delivery	200	-	-	7,921	8,121
Equipment Rental and Maintenance	-	-	-	757	757
Printing and Copying	-	-	-	12,452	12,452
Books, Subscriptions and Reference	-	-	-	17,917	17,917
Office and Storage Rent	109	-	-	898	1,007
Janitorial	-	-	-	16,338	16,338
Utilities	-	-	-	8,446	8,446
Repairs and Maintenance	-	-	-	4,646	4,646
Association Fees	1,679	-	-	21,688	23,367
Travel and Meetings Expenses	475	-	-	8,558	9,033
Depreciation	-	-	-	65,825	65,825
Insurance Expense	1,400	250	-	28,959	30,609
Membership Dues	-	-	-	2,624	2,624
Staff Development	-	-	-	2,840	2,840
Advertising	-	-	-	8,495	8,495
Recognition, Awards and Gifts	-	-	-	2,304	2,304
Credit Card Fees	-	-	-	10,249	10,249
Bank Charges	-	-	-	20	20
Licenses and Permits	-	-	-	252	252
Special Events	-	-	-	67,469	67,469
<b>Total Expenses</b>	<b>\$ 57,116</b>	<b>\$ 14,437</b>	<b>\$ -</b>	<b>\$ 1,851,597</b>	<b>\$ 1,923,150</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 32,731</b>	<b>\$ (14,437)</b>	<b>\$ -</b>	<b>\$ 67,007</b>	<b>\$ 85,301</b>
<b>OTHER CHANGES</b>					
Donations for Capital Campaign	-	-	-	62	62
<b>CHANGE IN NET ASSETS</b>	<b>\$ 32,731</b>	<b>\$ (14,437)</b>	<b>\$ -</b>	<b>\$ 67,069</b>	<b>\$ 85,363</b>

See accompanying Independent Auditor's Report