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FAMILY HEALTH PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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, 2018, 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.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 26, 2018

FAMILY HEALTH PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS		
Cash and Cash Equivalents		\$ 858,201
Investments, at fair value		51,744
Prepaid Gift Cards		2,580
Grants Receivable, net of allowance of \$0		93,519
Prepaid Expenses		10,387
Security Deposits		5,982
Fixed Assets		
Land	\$ 411,599	
Building	2,065,520	
Computer Equipment	45,948	
Medical Equipment	102,707	
Office Equipment	82,869	
Mobile Clinic Van	34,707	
Website	6,950	
	<u>\$ 2,750,300</u>	
Less: Accumulated Depreciation	(378,753)	
Net Fixed Assets		<u>2,371,547</u>
TOTAL ASSETS		<u><u>\$ 3,393,960</u></u>
LIABILITIES		
Accounts Payable	\$ 45,470	
Credit Card Payable	3,054	
Accrued Payroll and Compensated Absences	45,228	
Total Liabilities		<u>\$ 93,752</u>
NET ASSETS		
Unrestricted	\$ 3,202,290	
Temporarily Restricted	97,918	
Total Net Assets		<u>3,300,208</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,393,960</u></u>

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

FAMILY HEALTH PARTNERSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 470,935	\$ 97,918	\$ 568,853
Contributions	497,818	-	497,818
Program Service Fees	258,832	-	258,832
Donated Goods and Services	442,257	-	442,257
Special Events	216,969	-	216,969
United Way of Greater McHenry County	54,960	-	54,960
Interest Income	4,266	-	4,266
Unrealized Gain/(Loss) on Investments	5,163	-	5,163
Miscellaneous	24,497	-	24,497
Net Assets Released from Restrictions	273,670	(273,670)	-
Total Revenues, Gains, and Other Support	<u>\$ 2,249,367</u>	<u>\$ (175,752)</u>	<u>\$ 2,073,615</u>
EXPENSES			
Program Services			
Medical Services	\$ 1,702,348	\$ -	\$ 1,702,348
Supporting Services			
Management and General	137,222	-	137,222
Fundraising	231,942	-	231,942
Total Expenses	<u>\$ 2,071,512</u>	<u>\$ -</u>	<u>\$ 2,071,512</u>
CHANGE IN NET ASSETS	\$ 177,855	\$ (175,752)	\$ 2,103
NET ASSETS AT BEGINNING OF YEAR	<u>3,024,435</u>	<u>273,670</u>	<u>3,298,105</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,202,290</u></u>	<u><u>\$ 97,918</u></u>	<u><u>\$ 3,300,208</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, 2018

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		MEDICAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Leased Employee Expense	\$ 924,339	\$ 81,486	\$ 122,364	\$ 203,850	\$ 1,128,189
Accounting Fees	5,358	2,679	893	3,572	8,930
Professional Fees	396,400	3,119	390	3,509	399,909
Nurse Practitioner Fees	15,400	-	-	-	15,400
Clinical Expenses	174,632	-	-	-	174,632
Office and Computer Supplies	16,680	3,513	1,414	4,927	21,607
Internet Costs	1,919	959	320	1,279	3,198
Telephone	4,414	2,206	735	2,941	7,355
Postage and Delivery	4,485	1,282	641	1,923	6,408
Equipment Rental and Maintenance	2,254	1,127	376	1,503	3,757
Printing and Copying	1,243	374	9,527	9,901	11,144
Books, Subscriptions and Reference	13,227	67	1,825	1,892	15,119
Office and Storage Rent	1,347	-	-	-	1,347
Janitorial	13,792	1,623	811	2,434	16,226
Utilities	7,951	936	468	1,404	9,355
Repairs and Maintenance	16,494	1,940	970	2,910	19,404
Association Fees	17,926	2,109	1,055	3,164	21,090
Travel and Meetings Expenses	2,948	2,508	1,524	4,032	6,980
Depreciation	42,977	21,489	7,163	28,652	71,629
Insurance Expense	29,818	5,209	449	5,658	35,476
Membership Dues	2,545	379	-	379	2,924
Staff Development	1,329	2,927	342	3,269	4,598
Advertising	567	-	9,920	9,920	10,487
Recognition, Awards and Gifts	2,050	1,025	342	1,367	3,417
Credit Card Fees	2,102	60	5,865	5,925	8,027
Bank Charges	48	-	-	-	48
Licenses and Permits	103	170	-	170	273
Miscellaneous Expenses	-	35	-	35	35
Special Events	-	-	64,548	64,548	64,548
	<u>\$ 1,702,348</u>	<u>\$ 137,222</u>	<u>\$ 231,942</u>	<u>\$ 369,164</u>	<u>\$ 2,071,512</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	2,103
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation		71,629
(Gains) and Losses on Investments		(5,163)
Decrease/(Increase) in Assets:		
Prepaid Gift Cards		(935)
Grants Receivable		(12,622)
Prepaid Expenses		4,937
Increase/(Decrease) in Liabilities:		
Accounts Payable		23,099
Credit Card Payable		(732)
Accrued Payroll and Compensated Absences		(4,844)
United Way Payable		(42)
		<hr/>
Net Cash Flows Provided/(Used) by Operating Activities	\$	77,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$	(38,891)
(Purchase)/Redemption of Investments		(7,811)
		<hr/>
Net Cash Flows Provided/(Used) by Investing Activities		(46,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Flows Provided/(Used) by Financing Activities		<hr/> -
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	30,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<hr/> 827,473
CASH AND CASH EQUIVALENTS AT END OF YEAR		<hr/> <hr/> \$ 858,201
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, 2018

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, 2018 the Organization had \$97,918 of temporarily restricted net assets.

Net assets released from donor restrictions were \$273,670 during the June 30, 2018 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, 2018 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
Vehicles	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, 2018, the value of contributed services meeting the requirements for recognition totaled \$384,900. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled \$57,357.

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 2014 through 2016 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, 2018 exceeded federally insured limits by \$326,032. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value Measurements Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity Securities	\$ 51,744	\$ 51,744
Total	\$ 51,744	\$ 51,744

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	229,575	1,835,945
Computer Equipment	45,948	45,245	703
Medical Equipment	102,707	54,327	48,380
Office Equipment	82,869	42,660	40,209
Vehicles	34,707	3,471	31,236
Website	6,950	3,475	3,475
	<u>\$ 2,750,300</u>	<u>\$ 378,753</u>	<u>\$ 2,371,547</u>

Depreciation expense for the year ended June 30, 2018 was \$71,629.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30, 2018 for the following purposes:

Medication/Lab Testing	\$ 67,172
General Operations	10,167
Women's Health / Cancer Screening	7,680
Mental Health	7,260
Mobile Healthcare Clinic	5,639
	<u>\$ 97,918</u>

NOTE 6 - CONTINGENT ASSET

At June 30, 2018, the Organization has a contingent asset in the amount of \$54,698 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.

This amount is 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 7 - CONTINGENCIES

On April 6, 2017 a patient of the Organization 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 26, 2018, the date on which the financial statements were available to be issued.