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FAMILY HEALTH PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

eder, casella & co.

FAMILY HEALTH PARTNERSHIP

TABLE OF CONTENTS

JUNE 30, 2019

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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, 2019, 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, 2019 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.

Change in Accounting Principle

As described in Note 9 to the financial statements, the Organization implemented ASU 2016-14, *Presentation of Financial Statements of Not-for Profit Entities.* Our opinion is not modified with respect to this matter.

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

McHenry, Illinois
September 11, 2019

FAMILY HEALTH PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS		
Cash and Cash Equivalents		$ 869,836
Investments, at fair value		75,458
Prepaid Gift Cards		2,815
Grants Receivable		112,357
Prepaid Expenses		10,292
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	
	$ 2,750,300	
Less: Accumulated Depreciation	(453,170)	
Net Fixed Assets		2,297,130
TOTAL ASSETS		$ 3,373,870
LIABILITIES		
Accounts Payable	$ 15,079	
Credit Card Payable	3,408	
Accrued Payroll and Compensated Absences	47,333	
United Way Payable	70	
Total Liabilities		$ 65,890
NET ASSETS		
Without Donor Restrictions	$ 3,084,175	
With Donor Restrictions	223,805	
Total Net Assets		3,307,980
TOTAL LIABILITIES AND NET ASSETS		$ 3,373,870

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

FAMILY HEALTH PARTNERSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 160,000	$ 392,412	$ 552,412
Contributions	451,926	-	451,926
Program Service Fees	247,285	-	247,285
Donated Goods and Services	496,133	-	496,133
Special Events	236,387	-	236,387
United Way of Greater McHenry County	65,000	-	65,000
Investment Return, Net	24,213	-	24,213
Net Assets Released from Restrictions	266,525	(266,525)	-
Total Revenues, Gains, and Other Support	$ 1,947,469	$ 125,887	$ 2,073,356
EXPENSES			
Program Services			
Medical Services	$ 1,687,331	$ -	$ 1,687,331
Supporting Services			
Management and General	145,507	-	145,507
Fundraising	232,746	-	232,746
Total Expenses	$ 2,065,584	$ -	$ 2,065,584
CHANGE IN NET ASSETS	$ (118,115)	$ 125,887	$ 7,772
NET ASSETS AT BEGINNING OF YEAR	3,202,290	97,918	3,300,208
NET ASSETS AT END OF YEAR	$ 3,084,175	$ 223,805	$ 3,307,980

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, 2019

	PROGRAM SERVICES	SUPPORTING SERVICES			
	MEDICAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL
Leased Employee Expense	$ 909,045	$ 87,598	$ 124,813	$ 212,411	$ 1,121,456
Accounting Fees	5,355	2,677	893	3,570	8,925
Professional Fees	467,742	4,805	557	5,362	473,104
Nurse Practitioner Fees	1,400	-	-	-	1,400
Clinical Expenses	127,405	-	-	-	127,405
Office and Computer Supplies	17,407	5,757	1,227	6,984	24,391
Internet Costs	1,956	978	326	1,304	3,260
Telephone	4,477	2,239	746	2,985	7,462
Postage and Delivery	2,244	896	2,079	2,975	5,219
Equipment Rental and Maintenance	991	495	165	660	1,651
Printing and Copying	1,053	580	10,670	11,250	12,303
Books, Subscriptions and Reference	11,372	97	2,397	2,494	13,866
Office and Storage Rent	1,319	-	28	28	1,347
Janitorial	14,128	1,662	831	2,493	16,621
Utilities	7,900	929	465	1,394	9,294
Repairs and Maintenance	5,990	705	352	1,057	7,047
Association Fees	20,507	2,413	1,206	3,619	24,126
Travel and Meetings Expenses	2,758	1,803	1,000	2,803	5,561
Depreciation	44,650	22,325	7,442	29,767	74,417
Insurance Expense	26,024	4,365	470	4,835	30,859
Membership Dues	5,045	919	-	919	5,964
Staff Development	2,479	760	-	760	3,239
Advertising	746	523	11,649	12,172	12,918
Recognition, Awards and Gifts	1,059	1,213	375	1,588	2,647
Credit Card Fees	3,183	60	7,368	7,428	10,611
Licenses and Permits	1,096	98	-	98	1,194
Miscellaneous Expenses	-	1,610	30	1,640	1,640
Special Events	-	-	57,657	57,657	57,657
	$ 1,687,331	$ 145,507	$ 232,746	$ 378,253	$ 2,065,584

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 7,772	
Adjustments to Reconcile Change in Net Assets		
to Net Cash Used by Operating Activities		
Depreciation	74,417	
Realized/Unrealized Gains on Investments	(15,646)	
Decrease/(Increase) in Assets:		
Prepaid Gift Cards	(235)	
Grants Receivable	(18,838)	
Prepaid Expenses	95	
Accounts Payable	(30,391)	
Credit Card Payable	354	
Accrued Payroll and Compensated Absences	2,105	
United Way Payable	70	
Net Cash Flows Provided/(Used) by Operating Activities		$ 19,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	$ (108,246)	
Redemption of Investments	100,178	
Net Cash Flows Provided/(Used) by Investing Activities		(8,068)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		$ 11,635
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		858,201
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 869,836

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

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:

<u>Net Assets without Donor Restrictions</u> – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

<u>Net Assets with Donor Restrictions</u> – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 in marketable securities are readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in net assets without donor restrictions in the reporting period in which the income and gains are recognized.

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:

	Years
Website	3
Computer Equipment	3-5
Vehicles	5
Medical Equipment	7-15
Office Equipment	5-40
Building	20-40

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Management represents that all promises are 100% collectible and therefore no allowance is recognized in the financial statements.

G. *Donated Services and Materials*

GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value of contributed time (unpaid volunteers) is not reflected in these statements since it is not susceptible to objective measurement of valuation.

During the year ended June 30, 2019, the value of contributed services meeting the requirements for recognition totaled $473,730. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled $22,403.

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, management and general and fundraising throughout the year as the expense come in. In addition, various indirect expenses such as occupancy and utilities cost have been allocated to these areas based on the time spent in these areas by leased employees or space used within the Organization.

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 is a nonprofit corporation that is exempt from income taxes under Section 501c(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization reported no unrelated business income for the year ended June 30, 2019. Management represents there are no uncertain tax positions or other provisions for income taxes that are material to the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

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, 2019 exceeded federally insured limits by $326,871. The Organization has not experienced any losses in such accounts. Management represents it is not exposed to any significant credit risk on its cash balances.

Investments

Investments held by the Organization are stated at fair market value and consist of the following at June 30, 2019:

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	$ 29,714	$ 74,691	$ (44,977)
Mutual Funds	765	767	(2)
Total	$ 30,479	$ 75,458	$ (44,979)

Investment return for the year ended June 30, 2019 consist of the following:

Interest Income	$ 8,567
Realized Gain/(Loss)	6,450
Unrealized Gain/(Loss)	9,196
	$ 24,213

NOTE 3 - FAIR VALUE MEASURMENTS

The Organization's investments are reported at fair value in the accompanying Statement of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurement at the reporting date.

Fair value of assets measured on a recurring basis at June 30, 2019 are as follows:

		Fair Value Measurements Using:
	Fair Value	Quoted Prices in Active Markets for Assets (Level 1)
Equity Securities	$ 74,691	$ 74,691
Mutual Funds	767	767
Total	$ 75,458	$ 75,458

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when level 1 or level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the share held by the Organization at year-end. The fair values of U.S. Government Securities, Equity Securities, Mutual Funds, and Accrued Interest are based on 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	281,259	1,784,261
Computer Equipment	45,948	45,948	-
Medical Equipment	102,707	62,590	40,117
Office Equipment	82,869	47,169	35,700
Vehicles	34,707	10,412	24,295
Website	6,950	5,792	1,158
	$ 2,750,300	$ 453,170	$ 2,297,130

Depreciation expense for the year ended June 30, 2019 was $74,417.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available at June 30, 2019 for the following purposes:

Social Determinants of Health	$ 9,252
General Operations	20,329
Women's Health / Cancer Screening	11,692
Mental Health	7,982
Mobile Healthcare Clinic	136,475
Pharmacy	35,211
Dental	2,864
	$ 223,805

NOTE 6 - ENDOWMENT ASSET

At June 30 2019, the Organization has a contingent asset in the amount of $58,277 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.

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. No depositions have taken place. At this juncture, the Organization is in a defend posture, but there are vulnerabilities in the case. There is a possible liability but more information is needed to put a verdict value on the case.

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 11, 2019, the date on which the financial statements were available to be issued.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.