



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

***FAMILY HEALTH PARTNERSHIP
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020***

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, 2020, 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.

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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, 2020 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
September 14, 2020

FAMILY HEALTH PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS		
Cash and Cash Equivalents		\$ 1,386,100
Investments, at fair value		51,594
Prepaid Gift Cards		3,230
Grants Receivable		158,911
Prepaid Expenses		13,193
Security Deposits		5,982
Property and Equipment, Net		<u>2,231,104</u>
TOTAL ASSETS		<u><u>\$ 3,850,114</u></u>
 LIABILITIES		
Accounts Payable	\$ 41,899	
Credit Card Payable	5,641	
Accrued Liabilities	69,381	
United Way Payable	455	
Deferred Revenue	<u>194,400</u>	
TOTAL LIABILITIES		\$ 311,776
 NET ASSETS		
Without Donor Restrictions	\$ 3,095,478	
With Donor Restrictions	<u>442,860</u>	
TOTAL NET ASSETS		<u><u>3,538,338</u></u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,850,114</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, 2020

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 157,465	\$ 627,751	\$ 785,216
Contributions	580,891	-	580,891
Program Service Fees	308,343	-	308,343
Donated Goods and Services	540,228	-	540,228
Special Events	131,751	-	131,751
United Way of Greater McHenry County	69,500	-	69,500
Investment Return, Net	12,981	-	12,981
Gain/Loss on Sale of Equipment	(649)	-	(649)
Net Assets Released from Restrictions	408,696	(408,696)	-
Total Revenues, Gains, and Other Support	<u>\$ 2,209,206</u>	<u>\$ 219,055</u>	<u>\$ 2,428,261</u>
EXPENSES			
Program Services	\$ 1,694,777	\$ -	\$ 1,694,777
Supporting Services			
Management and General	160,784	-	160,784
Fundraising	301,212	-	301,212
Cost of Direct Benefit to Donors	41,130	-	41,130
Total Expenses	<u>\$ 2,197,903</u>	<u>\$ -</u>	<u>\$ 2,197,903</u>
CHANGE IN NET ASSETS	\$ 11,303	\$ 219,055	\$ 230,358
NET ASSETS AT BEGINNING OF YEAR	<u>3,084,175</u>	<u>223,805</u>	<u>3,307,980</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,095,478</u></u>	<u><u>\$ 442,860</u></u>	<u><u>\$ 3,538,338</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, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL
	MEDICAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	COST OF		
				DIRECT BENEFIT TO DONORS	TOTAL SUPPORTING SERVICES	
Leased Employee Expense	\$ 909,460	\$ 100,813	\$ 132,950	\$ -	\$ 233,763	\$ 1,143,223
Accounting Fees	5,355	2,678	892	-	3,570	8,925
Professional Fees	332,178	7,823	77,302	-	85,125	417,303
Clinical Expenses	261,183	-	-	-	-	261,183
Office and Computer Supplies	22,654	6,613	1,500	-	8,113	30,767
Sales Tax Expense	-	-	5,392	-	5,392	5,392
Internet Costs	2,408	1,204	401	-	1,605	4,013
Telephone	5,794	2,897	966	-	3,863	9,657
Postage and Delivery	2,220	293	3,831	-	4,124	6,344
Equipment Rental and Maintenance	2,064	1,032	344	-	1,376	3,440
Printing and Copying	1,752	438	6,983	-	7,421	9,173
Books, Subscriptions and Reference	9,327	97	2,678	-	2,775	12,102
Occupancy	11,660	1,217	32,840	-	34,057	45,717
Janitorial	12,516	1,473	736	-	2,209	14,725
Repairs and Maintenance	14,037	1,652	826	-	2,478	16,515
Association Fees	20,477	2,409	1,205	-	3,614	24,091
Travel and Meetings Expenses	3,306	292	1,326	-	1,618	4,924
Depreciation	43,437	21,718	7,239	-	28,957	72,394
Insurance Expense	24,053	4,327	1,906	-	6,233	30,286
Membership Dues	4,300	734	160	-	894	5,194
Staff Development	1,972	754	447	-	1,201	3,173
Advertising	1,508	1,508	9,538	-	11,046	12,554
Recognition, Awards and Gifts	88	651	2,004	-	2,655	2,743
Credit Card Fees & Bank Charges	2,314	81	9,746	-	9,827	12,141
Food & Beverage	-	-	-	8,481	8,481	8,481
Entertainment	-	-	-	22,244	22,244	22,244
Favors & Prizes	-	-	-	10,405	10,405	10,405
Licenses and Permits	308	53	-	-	53	361
Miscellaneous Expenses	406	27	-	-	27	433
	<u>\$ 1,694,777</u>	<u>\$ 160,784</u>	<u>\$ 301,212</u>	<u>\$ 41,130</u>	<u>\$ 503,126</u>	<u>\$ 2,197,903</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	230,358
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation		72,394
Loss on Disposal of Fixed Assets		649
Realized/Unrealized Gains on Investments		(6,196)
Decrease/(Increase) in Assets:		
Prepaid Gift Cards		(415)
Grants Receivable		(46,554)
Prepaid Expenses		(2,901)
Increase/(Decrease) in Liabilities:		
Accounts Payable		221,220
Credit Card Payable		2,233
Accrued Payroll and Compensated Absences		22,048
United Way Payable		385
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ 493,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$	(7,016)
Purchase of Investments		(13,031)
Proceeds from the Sale of Investments		43,090
Net Cash Flows Provided/(Used) by Investing Activities		<u>23,043</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Flows Provided/(Used) by Financing Activities		<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	516,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>869,836</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>1,386,100</u></u>

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

FAMILY HEALTH PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, general contributions, thrift store and special event fundraisers.

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:

Net Assets without Donor Restrictions – 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.

Net Assets with Donor Restrictions – 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. Property and Equipment

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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, 2020. 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, 2020 exceeded federally insured limits by \$532,845. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Investments

Investments held by the Organization are stated at fair market value and consist of the following at June 30, 2020:

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	\$ 29,714	\$ 51,594	\$ (21,880)
Total	<u>\$ 29,714</u>	<u>\$ 51,594</u>	<u>\$ (21,880)</u>

Investment return for the year ended June 30, 2020 consist of the following:

Interest Income	\$ 6,785
Unrealized Gain/(Loss)	6,196
	<u>\$ 12,981</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

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, 2020 are as follows:

	Fair Value	Fair Value Measurements Using:
		Quoted Prices in Active Markets for Assets (Level 1)
Equity Securities	\$ 51,594	\$ 51,594
Total	<u>\$ 51,594</u>	<u>\$ 51,594</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the balance sheet date to meet general expenditures.

The Organization's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,386,100
Investments	51,594
Grant Receivable	158,911
Total financial assets	<u>\$ 1,596,605</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>100,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,496,605</u></u>

The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization accomplishes this through grant-writing and other development activities.

The Organization will have two grants that will remain unused through fiscal year 2021. A portion of a grant from Sage Legacy, for the Mobile Clinic, will remain unused and restricted due to the program not operating during the COVID-19 pandemic, as well as a grant from Willow Springs, which has yet to be received by the Organization.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment shows:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 411,599	\$ -	\$ 411,599
Building	2,065,520	332,943	1,732,577
Computer Equipment	7,449	5,829	1,620
Medical Equipment	94,663	63,133	31,530
Office Equipment	71,846	35,422	36,424
Vehicles	34,707	17,353	17,354
	<u>\$ 2,685,784</u>	<u>\$ 454,680</u>	<u>\$ 2,231,104</u>

Depreciation expense in the amount of \$72,394 is reported on the Statement of Functional Expenses for the year ended June 30, 2020.

NOTE 6 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loan was \$194,400 and is outstanding as of June 30, 2020. The proceeds must be used for payroll costs, rent and utilities over the 24-week period beginning from the day the funds were disbursed. At the end of the period, the Organization will apply for forgiveness. At the point that the Organization receives notification that it will be forgiven, the liability will be removed, and the loan proceeds will be recorded as revenue. Any proceeds that are not forgiven will become converted to a note payable over a period of 5 years at an 1% interest rate.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available at June 30, 2020 for the following purposes:

Health Coach	\$	96,711
Dental		88,776
Mobile Healthcare Clinic		84,251
Covid-19 Relief		49,288
General Operations		33,383
Women's Health / Cancer screening		68,004
Mental Health		10,280
Flu Shots		6,750
Social Determinants of Health		5,417
	\$	<u>442,860</u>

NOTE 8 - ENDOWMENT ASSET

At June 30, 2020, the Organization has a contingent asset in the amount of \$3,073,629 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 9 - DONATED SERVICES

During the year ended June 30, 2020, the value of contributed services meeting the requirements for recognition totaled \$407,885. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled \$132,343.

NOTE 10 - OPERATING LEASE

In 2019, the Organization took over operations for a local thrift shop as well as the operating lease which is set to expire December 31, 2020. Under the lease, the Organization is liable for monthly rent payments of \$2,668.

The Organization has recognized rent expense for this lease equal to the cash payments made. Rent expense for the year ended June 30, 2020 was \$32,016. This is reported in Occupancy Expense on the Statement of Functional Expenses for the year ended June 30, 2020.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2020 are:

<u>Year Ending June 30, 2020</u>	<u>Total Payments</u>
2021	\$ <u>16,008</u>

NOTE 11 - 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 14, 2020, the date on which the financial statements were available to be issued. Prior to the date of this report, the COVID-19 outbreak in the United States has created disruptions in various businesses/non-profits and will continue to impact these organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of time. The extent of the impact on the Organization is uncertain and cannot be reasonably estimated at this time.