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FAMILY HEALTH PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

eder, casella & co

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JUNE 30, 2021

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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, 2021, 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 Organization'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 Organization'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Health Partnership Clinic as of June 30, 2021, 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 14 to the financial statements, the Organization adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606)* and ASU 2018-08 Not-for-Profit Entities*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 26, 2021

FAMILY HEALTH PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,730,966	
Prepaid Gift Cards	3,300	
Grants Receivable	283,869	
Prepaid Expenses	18,692	
Security Deposits	5,982	
Total Current Assets		$ 2,042,809
Investments		44,807
Property and Equipment, Net		2,161,060
TOTAL ASSETS		$ 4,248,676
LIABILITIES		
Accounts Payable	$ 59,512	
Credit Card Payable	7,287	
Accrued Liabilities	102,098	
Deferred Revenue	400,100	
TOTAL LIABILITIES		$ 568,997
NET ASSETS		
Without Donor Restrictions	$ 3,516,772	
With Donor Restrictions	162,907	
TOTAL NET ASSETS		3,679,679
TOTAL LIABILITIES AND NET ASSETS		$ 4,248,676

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

FAMILY HEALTH PARTNERSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	$ 568,382	$ 106,092	$ 674,474
Contributions	721,258	-	721,258
Program Service Fees	343,910	-	343,910
Donated Goods and Services	390,677	-	390,677
Special Events	213,605	-	213,605
United Way of Greater McHenry County	62,898	-	62,898
Investment Return, Net	17,508	-	17,508
Net Assets Released from Restrictions	386,045	(386,045)	-
Total Revenues, Gains, and Other Support	$ 2,704,283	$ (279,953)	$ 2,424,330
EXPENSES			
Program Services	$ 1,907,634	$ -	$ 1,907,634
Supporting Services			
Management and General	156,080	-	156,080
Fundraising	203,616	-	203,616
Cost of Direct Benefit to Donors	15,659	-	15,659
Total Expenses	$ 2,282,989	$ -	$ 2,282,989
CHANGE IN NET ASSETS	$ 421,294	$ (279,953)	$ 141,341
NET ASSETS AT BEGINNING OF YEAR	3,095,478	442,860	3,538,338
NET ASSETS AT END OF YEAR	$ 3,516,772	$ 162,907	$ 3,679,679

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, 2021

	PROGRAM SERVICES	SUPPORTING SERVICES				
	MEDICAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	COST OF DIRECT BENEFIT TO DONORS	TOTAL SUPPORTING SERVICES	TOTAL
Leased Employee Expense	$ 1,082,432	$ 95,268	$ 129,252	$ -	$ 224,520	$ 1,306,952
Professional Fees	329,777	8,225	1,540	-	9,765	339,542
Clinical Expenses	222,973	-	-	-	-	222,973
Office and Computer Supplies	36,329	13,231	23,331	-	36,562	72,891
Sales Tax Expense	7,487	-	-	-	-	7,487
Equipment Rental and Maintenance	3,948	250	-	-	250	4,198
Occupancy	32,912	5,333	34,330	-	39,663	72,575
Repairs and Maintenance	8,729	1,027	513	-	1,540	10,269
Association Fees	20,477	2,409	1,205	-	3,614	24,091
Travel and Meetings Expenses	1,943	846	780	-	1,626	3,569
Depreciation	42,028	21,013	7,004	-	28,017	70,045
Insurance Expense	23,664	4,681	1,972	-	6,653	30,317
Membership Dues	2,300	1,424	120	-	1,544	3,844
Staff Development	1,195	48	27	-	75	1,270
Advertising	2,014	448	1,759	-	2,207	4,221
Recognition, Awards and Gifts	-	1,269	1,103	-	2,372	2,372
Decorations	-	-	620	-	620	620
Entertainment	-	-	60	2,522	2,582	2,582
Favors & Prizes	-	-	-	13,137	13,137	13,137
Miscellaneous Expenses	-	608	-	-	608	608
Grants	89,426	-	-	-	-	89,426
	$ 1,907,634	$ 156,080	$ 203,616	$ 15,659	$ 375,355	$ 2,282,989

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 141,341	
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	70,045	
Unrealized Gains/Losses on Investments	(15,236)	
Decrease/(Increase) in Assets:		
Prepaid Gift Cards	(70)	
Grants Receivable	(124,958)	
Prepaid Expenses	(5,499)	
Increase/(Decrease) in Liabilities:		
Accounts Payable	17,613	
Credit Card Payable	1,646	
Accrued Payroll and Compensated Absences	32,717	
United Way Payable	(455)	
Deferred Revenue	205,700	
Net Cash Flows Provided/(Used) by Operating Activities		$ 322,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	$ (26,654)	
Proceeds from the Sale of Investments	48,676	
Net Cash Flows Provided/(Used) by Investing Activities		22,022
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		$ 344,866
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,386,100
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 1,730,966

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 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.

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.

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.

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.

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

Compensated Absences

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

Revenue and Revenue Recognition

The Organization records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place. The Organization records the revenue from program services at the time the service was performed, and thrift shop sales are recognized at the time of purchase.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. 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. Contributions Receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

In-Kind Contributions

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation. 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.

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 expenses 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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended June 30, 2021. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi)

NOTE 2 - CASH AND CASH EQUIVALENTS

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, 2021 exceeded federally insured limits by $814,637. 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.

NOTE 3 - FAIR VALUE MEASURMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

    - quoted prices for similar assets or liabilities in active markets;
    - quoted prices for identical or similar assets in markets that are not active;
    - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
    - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

For investments – investments are carried at fair value as described in Note 4, based on quoted prices in active markets for identical assets. All are considered Level 1 observable inputs.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at June 30, 2021. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at June 30, 2021:

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	$ 3,803	$ 44,807	$ (41,004)
Total	$ 3,803	$ 44,807	$ (41,004)

Investment return for the year ended June 30, 2021 consists of the following:

Interest Income	$	2,272
Unrealized Gain/(Loss)		15,236
	$	17,508

NOTE 5 - 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, 2021:

Financial assets at year end:		
Cash and cash equivalents	$	1,730,966
Investments		44,807
Grant Receivable		283,869
Total financial assets	$	2,059,642
Less amounts not available to be used within one year:		
Net assets with donor restrictions		100,000
Financial assets available to meet general expenditures over the next twelve months	$	1,959,642

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 2022. A portion of a grant from Sage Legacy, for the Mobile Clinic, will remain unused and restricted due to the program not fully operating during the COVID-19 pandemic, as well as a grant from Willow Springs, which has yet to be received by the Organization.

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment shows:

		Cost		Accumulated Depreciation		Book Value
Land	$	411,599	$	-	$	411,599
Building		2,065,520		384,626		1,680,894
Computer Equipment		7,449		6,189		1,260
Medical Equipment		94,663		69,496		25,167
Office Equipment		71,846		40,118		31,728
Vehicles		34,707		24,295		10,412
	$	2,685,784	$	524,724	$	2,161,060

Depreciation expense in the amount of $70,045 is reported on the Statement of Functional Expenses for the year ended June 30, 2021.

NOTE 7 - PAYCHECK PROTECTION PROGRAM

The Organization received two forgivable loans through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loans were $194,400 and $205,700 and are outstanding as of June 30, 2021. 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.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available at June 30, 2021 for the following purposes:

Dental	$	46,341
Mobile Healthcare Clinic		82,692
Covid-19 Relief		7,584
General Operations		5,691
Women's Health / Cancer screening		6,506
Flu Shots		5,000
Patient Supplies		9,093
	$	162,907

NOTE 9 - ENDOWMENT ASSET

At June 30, 2021, the Organization has a contingent asset in the amount of $4,132,153 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 10 - DONATED SERVICES

During the year ended June 30, 2021, the value of contributed services meeting the requirements for recognition totaled $316,833. All contributed services were of a professional nature. The value of donated materials meeting the requirements for recognition totaled $73,844.

NOTE 11 - OPERATING LEASE

In 2019, the Organization took over operations for a local thrift shop as well as the operating lease which was extended through December 31, 2023. Under the lease, the Organization is liable for monthly rent payments that range from $2,668 - $2,750.

Rent expense for the year ended June 30, 2021 was $32,016. This is reported in Occupancy Expense on the Statement of Functional Expenses for the year ended June 30, 2021.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2021 are:

Year Ending June 30, 2021	Total Payments
2022	$ 32,508
2023	33,000
2024	16,500
	$ 82,008

NOTE 12 - 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 13 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 26, 2021, the date on which the financial statements were available to be issued.

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various non-profits and has continued to impact these organizations. The Organization was impacted during the year ended June 30, 2021. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended, and ASU 2018-08, Not-for-Profit Entities*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.