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***FAMILY HEALTH PARTNERSHIP
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022***

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 Audit of the Financial Statements

Opinion

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, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Family Health Partnership as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Health Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 13 to the financial statements, the Organization adopted new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Health Partnership's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Family Health Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Health Partnership's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 17, 2022

FAMILY HEALTH PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,918,844	
Prepaid Gift Cards	3,055	
Grants Receivable	149,438	
Prepaid Expenses	18,148	
Security Deposits	<u>5,982</u>	
Total Current Assets		\$ 2,095,467
Investments		48,324
Property and Equipment, Net		<u>2,096,575</u>
TOTAL ASSETS		<u>\$ 4,240,366</u>
LIABILITIES		
Accounts Payable	\$ 36,547	
Credit Card Payable	8,237	
Accrued Liabilities	82,645	
United Way Payable	<u>510</u>	
TOTAL LIABILITIES		\$ 127,939
NET ASSETS		
Without Donor Restrictions	\$ 3,951,558	
With Donor Restrictions	<u>160,869</u>	
TOTAL NET ASSETS		<u>4,112,427</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 4,240,366</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, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Grants	\$ 517,826	\$ 912,912	\$ 1,430,738
Contributions	719,530	-	719,530
Program Service Fees	209,255	-	209,255
Donated Goods and Services	303,183	-	303,183
Pink Door Sales	128,683	-	128,683
Less: Cost of Goods Sold	(55,361)	-	(55,361)
Net Pink Door Sales	<u>73,322</u>	<u>-</u>	<u>73,322</u>
Special Events	197,531	-	197,531
United Way of Greater McHenry County	25,000	-	25,000
Investment Return, Net	(3,585)	-	(3,585)
Miscellaneous	27,471	-	27,471
Net Assets Released from Restrictions	914,950	(914,950)	-
Total Revenues, Gains, and Other Support	<u>\$ 2,984,483</u>	<u>\$ (2,038)</u>	<u>\$ 2,982,445</u>
 EXPENSES			
Program Services	\$ 2,214,138	\$ -	\$ 2,214,138
Supporting Services			
Management and General	173,637	-	173,637
Fundraising	131,048	-	131,048
Cost of Direct Benefit to Donors	30,874	-	30,874
Total Expenses	<u>\$ 2,549,697</u>	<u>\$ -</u>	<u>\$ 2,549,697</u>
CHANGE IN NET ASSETS	\$ 434,786	\$ (2,038)	\$ 432,748
NET ASSETS AT BEGINNING OF YEAR	<u>3,516,772</u>	<u>162,907</u>	<u>3,679,679</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,951,558</u>	<u>\$ 160,869</u>	<u>\$ 4,112,427</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, 2022

	PROGRAM SERVICES	SUPPORTING SERVICES				TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	COST OF DIRECT BENEFIT TO DONORS	SUPPORTING SERVICES	
Advertising	\$ 6,160	\$ 250	\$ 4,454	\$ -	\$ 4,704	\$ 10,864
Association Fees	20,477	2,409	1,205	-	3,614	24,091
Clinical Expenses	219,275	-	-	-	-	219,275
Depreciation	41,440	20,719	6,906	-	27,625	69,065
Entertainment	-	-	-	10,619	10,619	10,619
Equipment Rental	1,950	998	-	-	998	2,948
Favors & Prizes	-	-	-	14,381	14,381	14,381
Food and Beverages	-	-	-	5,874	5,874	5,874
Grants	354,059	-	-	-	-	354,059
Insurance Expense	24,876	5,040	591	-	5,631	30,507
Leased Employee Expense	1,198,601	106,496	100,218	-	206,714	1,405,315
Membership Dues	2,400	630	50	-	680	3,080
Miscellaneous Expenses	-	2,079	-	-	2,079	2,079
Occupancy	33,205	4,942	2,185	-	7,127	40,332
Office and Computer Supplies	38,794	14,377	12,481	-	26,858	65,652
Professional Fees	259,758	8,213	1,237	-	9,450	269,208
Recognition, Awards and Gifts	-	1,705	1,129	-	2,834	2,834
Repairs and Maintenance	7,111	837	419	-	1,256	8,367
Staff Development	2,926	3,575	-	-	3,575	6,501
Travel and Meetings Expenses	3,106	1,367	173	-	1,540	4,646
	<u>\$ 2,214,138</u>	<u>\$ 173,637</u>	<u>\$ 131,048</u>	<u>\$ 30,874</u>	<u>\$ 335,559</u>	<u>\$ 2,549,697</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 432,748	
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	69,065	
Unrealized Gains/Losses on Investments	6,532	
Decrease/(Increase) in Assets:		
Prepaid Gift Cards	245	
Grants Receivable	134,431	
Prepaid Expenses	544	
Increase/(Decrease) in Liabilities:		
Accounts Payable	(22,965)	
Credit Card Payable	950	
Accrued Payroll and Compensated Absences	(19,453)	
United Way Payable	510	
Deferred Revenue	(400,100)	
Net Cash Flows Provided/(Used) by Operating Activities	\$ 202,507	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (14,629)	
Net Cash Flows Provided/(Used) by Investing Activities	(14,629)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 187,878	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,730,966	
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,918,844	

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

FAMILY HEALTH PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivable, payables and other liabilities.

Financial Statement Presentation

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.

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 \$2,500. 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

	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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2022. 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, 2022 exceeded federally insured limits by \$644,616. 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 MEASUREMENTS

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, 2022. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at June 30, 2022:

	Cost	Fair Market Value	Unrealized Appreciation
Equity Securities	\$ 3,912	\$ 48,324	\$ (44,412)
Total	<u>\$ 3,912</u>	<u>\$ 48,324</u>	<u>\$ (44,412)</u>

Investment return for the year ended June 30, 2022 consists of the following:

Interest Income	\$ 2,947
Unrealized Gain/(Loss)	(6,532)
	<u>\$ (3,585)</u>

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, 2022:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,918,844
Investments	48,324
Grant Receivable	149,438
Total financial assets	<u>\$ 2,116,606</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,116,606</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.

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	436,310	1,629,210
Computer Equipment	7,449	6,549	900
Medical Equipment	99,243	74,938	24,305
Office Equipment	71,846	44,756	27,090
Vehicles	34,707	31,236	3,471
	<u>\$ 2,690,364</u>	<u>\$ 593,789</u>	<u>\$ 2,096,575</u>

Depreciation expense in the amount of \$69,065 is reported on the Statement of Functional Expenses for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 fully forgiven as of June 30, 2022. The proceeds are recorded as grant revenue on the Statement of Activities.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available at June 30, 2022 for the following purposes:

Dental	\$	2,459
Colon Cancer		11,500
Training		3,750
General Operations		108,224
Women's Health / Cancer screening		5,803
Chronic Disease		1,245
Vaccines		12,115
Patient Supplies		15,773
	\$	<u>160,869</u>

NOTE 9 - ENDOWMENT ASSET

At June 30, 2022, the Organization has a contingent asset in the amount of \$3,466,025 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 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the Statement of Activities included:

	2022
Services	\$ 246,543
Medical/Dental Supplies	49,534
Books and Materials	4,004
Food	3,102
	\$ <u>303,183</u>

Gift-in-Kind Valuation Technique & Inputs: Contributed medical/dental supplies, books and materials and food items are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed services recognized comprise of professional services from medical professionals. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Donor Restrictions: No gift-in-kind was restricted. The Organization does not sell donated gifts-in-kind and only distributes goods for program use.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2022 was \$32,508. This is reported in Cost of Goods Sold on the Statement of Activities for the year ended June 30, 2022.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2022 are:

Year Ending June 30	Total Payments
2023	\$ 33,000
2024	16,500
	\$ 49,500

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 17, 2022, the date on which the financial statements were available to be issued.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted the new accounting guidance, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires the Organization to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by the category of contributed nonfinancial assets and update the disclosure for each of these categories. The Organization has adjusted the presentation of these statements and notes accordingly.