Eder, Casella & Co.
815.344.1300
www.edercasella.com

INDEPENDENCE HEALTH & THERAPY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

eder, casella & co

INDEPENDENCE HEALTH & THERAPY

TABLE OF CONTENTS

JUNE 30, 2022

ec&co
Eder, Casella & Co.
815.344.1300
www.edercasella.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Independence Health & Therapy.
Woodstock, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of

Independence Health & Therapy
(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 Independence Health & Therapy 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 State 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 Independence Health & Therapy 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 16 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 Independence Health & Therapy'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 Independence Health & Therapy'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 Independence Health & Therapy'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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2022, on our consideration of Independence Health & Therapy's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Independence Health & Therapy's internal controls over financial reporting and compliance.

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

McHenry, Illinois
September 27, 2022

Eder, Casella & Co.
815.344.1300
www.edercasella.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Independence Health & Therapy
Woodstock, Illinois

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Independence Health & Therapy, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 27, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Health & Therapy's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Health & Therapy's internal control. Accordingly, we do not express an opinion on the effectiveness of Independence Health & Therapy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence Health & Therapy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

McHenry, Illinois
September 27, 2022

FINANCIAL STATEMENTS

INDEPENDENCE HEALTH AND THERAPY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 595,942	
Accounts Receivable (Net of Allowance for Uncollectibles of $75,081)	246,654	
Grants Receivable (Net of Allowance for Uncollectibles of $0)	183,024	
Prepaid Expenses	25,526	
Total Current Assets		$ 1,051,146
Investments		1,219,931
Property and Equipment, Net		1,419,614
OTHER ASSETS		
Endowment Fund	153,554	
Financing Costs, Net	1,844	
Total Other Assets		155,398
TOTAL ASSETS		$ 3,846,089
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 41,011	
Accrued Expenses	94,473	
Payroll Liabilities	17,394	
Current Portion Long-Long Term Debt	28,531	
Total Current Liabilities		$ 181,409
Other Liabilities		
Unearned Revenue	$ 72,558	
Compensated Absences	56,083	
Total Other Liabilities		128,641
Long-Term Debt		
Notes Payable	$ 562,472	
Less: Current Portion	(28,531)	
Total Long-Term Debt		533,941
TOTAL LIABILITIES		$ 843,991
NET ASSETS		
Without Donor Restriction		$ 2,842,294
With Donor Restriction		159,804
Total Net Assets		$ 3,002,098
TOTAL LIABILITIES AND NET ASSETS		$ 3,846,089

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

INDEPENDENCE HEALTH AND THERAPY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Unrestricted Contributions	$ 28,683	$ -	$ 28,683
Corporate and Foundation Grants and Contributions	226,734	25,000	251,734
Governmental Grants	1,000,652	-	1,000,652
Governmental Fee for Service	381,734	-	381,734
Tax Referendum	540,579	-	540,579
United Way of Greater McHenry County, Inc.	86,000	-	86,000
Client Fees	222,645	-	222,645
Returns and Allowances	(69,278)	-	(69,278)
Medicare Payments	88,583	-	88,583
Medicaid Payments	405,543	-	405,543
Non-Medicaid Payments	83,555	-	83,555
Special Events	107,751	-	107,751
Return on Investment	(159,148)	23,791	(135,357)
Miscellaneous	1,230	-	1,230
Net Assets Released from Restrictions	26,858	(26,858)	-
Total Revenues, Gains, and Other Support	$ 2,972,121	$ 21,933	$ 2,994,054
EXPENSES			
Program Services			
Adult Day Health	$ 343,611	$ -	$ 343,611
Behavioral Health Services	575,159	-	575,159
Memory Care Program	382,544	-	382,544
Therapies	724,613	-	724,613
Transportation	321,855	-	321,855
Total Program Services	$ 2,347,782	$ -	$ 2,347,782
Supporting Services			
Management and General	$ 497,005	$ -	$ 497,005
Fundraising	186,992	-	186,992
Direct Benefit to Donors	28,375	-	28,375
Total Supporting Services	$ 712,372	$ -	$ 712,372
Total Expenses	$ 3,060,154	$ -	$ 3,060,154
Change in Net Assets from Operations	$ (88,033)	$ 21,933	$ (66,100)
Net Assets at Beginning of Year	2,930,327	137,871	3,068,198
Net Assets at End of Year	$ 2,842,294	$ 159,804	$ 3,002,098

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

INDEPENDENCE HEALTH AND THERAPY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						Supporting Services				
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies	Transportation	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	Total Expenses
Salaries	$ 146,000	$ 266,743	$ 163,025	$ 495,290	$ 185,314	$ 1,256,372	$ 339,858	$ 173,680	$ -	$ 513,538	$ 1,769,910
Payroll Taxes	21,280	28,334	22,491	39,211	15,556	126,872	13,649	-	-	13,649	140,521
Retirement Plan	667	1,092	375	8,786	-	10,920	6,952	670	-	7,622	18,542
Other Employee Benefits	26,671	20,303	27,362	65,441	8,477	148,254	9,147	-	-	9,147	157,401
Advertising and Promotion	3,788	1,601	3,987	1,497	-	10,873	19,526	9,811	-	29,337	40,210
Amortization	-	-	-	-	-	-	527	-	-	527	527
Bad Debt	9,136	11,420	8,483	3,589	-	32,628	-	-	-	-	32,628
Client Meals	18,694	-	18,695	-	182	37,571	-	-	-	-	37,571
Client Transportation	-	-	-	-	42,053	42,053	-	-	-	-	42,053
Conferences, Conventions, and Meetings	2,366	1,523	2,429	978	58	7,354	201	154	-	355	7,709
Craft & Therapy Supplies	6,256	71	6,021	2,495	69	14,912	-	-	-	-	14,912
Depreciation	-	-	-	-	48,940	48,940	55,265	-	-	55,265	104,205
Dues, Licenses, and Subscriptions	4,333	1,773	4,932	1,197	13	12,248	99	-	-	99	12,347
Educational Supplies	3,468	3,878	4,854	2,315	26	14,541	1,381	15	-	1,396	15,937
Equipment	2,538	6,396	2,678	2,627	-	14,239	1,753	-	-	1,753	15,992
Food and Entertainment	-	-	-	-	-	-	-	-	14,375	14,375	14,375
Insurance	8,926	-	8,926	-	1,672	19,524	34,830	576	-	35,406	54,930
Interest Expense	7,845	5,540	10,028	-	-	23,413	1,890	-	-	1,890	25,303
Occupancy	6,970	5,069	9,082	9,974	-	31,095	9,965	1,078	14,000	25,043	56,138
Office Expense	10,353	8,382	13,373	13,611	563	46,282	1,350	1,008	-	2,358	48,640
Professional Fees	45,738	196,533	51,928	49,497	219	343,915	546	-	-	546	344,461
Repairs and Maintenance	17,786	13,015	22,976	24,099	18,713	96,589	-	-	-	-	96,589
Travel	796	3,486	899	4,006	-	9,187	66	-	-	66	9,253
	$ 343,611	$ 575,159	$ 382,544	$ 724,613	$ 321,855	$ 2,347,782	$ 497,005	$ 186,992	$ 28,375	$ 712,372	$ 3,060,154

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

INDEPENDENCE HEALTH AND THERAPY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (66,100)	
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	104,205	
Amortization	527	
Unrealized (Gain)/Loss on Investments	121,072	
Decrease/(Increase) in Assets:		
Accounts Receivable	334,669	
Grants Receivable	(682)	
Prepaid Expenses	2,557	
Increase/(Decrease) in Liabilities:		
Accounts Payable	7,508	
Accrued Expenses	12,682	
Payroll Liabilities	1,553	
Unearned Revenue	(343,233)	
Compensated Absences	12,419	
Net Cash Flows Provided/(Used) by Operating Activities		$ 187,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (6,289)	
Sale of Investments	212,360	
Purchase of Investments	(187,125)	
Net Cash Flows Provided/(Used) by Investing Activities		18,946
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long Term Debt	$ (27,124)	
Proceeds on Line of Credit	80,000	
Payments on Line of Credit	(179,709)	
Net Cash Flows Provided/(Used) by Financing Activities		(126,833)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		$ 79,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		516,652
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 595,942

SUPPLEMENTAL DISCLOSURES:	
Interest Paid	$ 25,303

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Independence Health & Therapy (Organization) is a nonprofit organization providing health services to persons of all ages from children to older adult; assisting individuals to maintain a maximum level of independence through service provision and health and wellness education in the communities it serves.

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 receivables, payables, and other liabilities.

Financial Statement Presentation

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 board of directors and its management ("Management").

<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, demand deposits, 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.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for services provided. We determined the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment with cost of over $2,500; and an estimated useful life of 3 or more years. Purchased property and equipment is carried at cost. Donated property and equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	YEARS
Building	15-50
Leasehold Improvements	39
Land Improvements	15
Equipment	5
Furniture	7
Softw are	3
Vehicles	5

Financing Costs

Financing costs are amortized over the maturity period of the loan which is five years.

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. A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

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 written off as deemed uncollectible.

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.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. However, these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. All direct expenses have been allocated to the respective function. All occupancy-related, office expense, and equipment cost are allocated based on the coverage of space used for the program. Salaries, payroll taxes, retirement plan, and employee benefits are allocated based on estimate of time spent for the program.

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, 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 two financial institutions. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash at June 30, 2022 exceeded federally insured limits by approximately $75,000. 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.

Investments are carried at fair value as described in Note 4, based on quoted prices active markets for identical assets.

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.

	Fair Value Measurements Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level	Significant Other Observable Inputs (Level 2)
Endowment Funds	$ 153,554	$ -	$ 153,554
Municipal Bonds	339,057	-	339,057
Corporate Bonds	98,130	-	98,130
Asset Backed Securities	33	-	33
Equity - Common Stock	739,643	739,643	-
Equity - Real Estate Investment Trusts	43,068	43,068	-
	$ 1,373,485	$ 782,711	$ 590,774

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
Municipal Bonds	$ 351,726	$ 339,057	$ (12,669)
Corporate Bonds	102,444	98,130	(4,314)
Asset Backed Securities	32	33	1
Equity - Common Stock	596,840	739,643	142,803
Equity - Real Estate Investment	43,816	43,068	(748)
	$ 1,094,858	$ 1,219,931	$ 125,073

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

Interest and Dividends	$ 33,077
Unrealized Gain/(Loss) on Investments	(121,072)
Realized Gain/(Loss) on Investments	(30,355)
Administrative Fees	(17,007)
	$ (135,357)

NOTE 5 - ENDOWMENT FUND

The Organization has two donor-restricted endowment funds. These funds were established by the McHenry County Community Foundation in fiscal years 2012 and 2017. Per the agreements with the McHenry County Community Foundation, the Organization was required to contribute $50,000 for each endowment fund ($25,000 from the Organization and $25,000 of a grant from the McHenry County Community Foundation) to the fund, of which $25,000 for each endowment fund is deemed permanently endowed.

Interpretation of the Relevant Law:

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions – board designated until those amounts are appropriated for expenditure by the Board of Directors, and such amounts are not subject to UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

Return Objective and Risk Parameters:

The Organization has agreed to the investment and spending policy of the Community Foundation for endowment assets. The Community Foundation policies attempt to provide a predictable stream of funding to the social services mission of the Organization.

Spending Policy:

The Organization has agreed to the Community Foundation spending policy in which the general rule of appropriating for distribution is based on the current approved payout rate as set forth by the Community Foundation in the Agreement. Currently the payout rate is up to 5% of the endowment fund's average balance over the prior 12 quarters, which is comprised of a 4% distribution to the Organization, and a 1% administrative management fee to the Community Foundation. The Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

The Organization's endowments have been classified as follows at June 30, 2022:

Agency Endowment Fund - Mutual Funds	Fair Market Value
With Donor Restrictions	$ 153,554
	$ 153,554

Investment income and expense consists of the following for the year ended June 30, 2022:

June 30, 2022	Without Donor Restriction Board Designated	With Donor Restriction	Total Endowment
Endowment Net Assets, 7/1/2021	$ 41,922	$ 137,871	$ 179,793
Return on Investment	352	(16,948)	(16,596)
Endowment Administrative Fee	(148)	(1,536)	(1,684)
Distributions	(42,126)	(8,108)	(50,234)
Contributions	-	42,276	42,276
Endowment Net Assets, 6/30/2022	$ -	$ 153,554	$ 153,554

NOTE 6 - 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 are as follows:

	2022
Financial assets at year end:	
Cash and Cash Equivalents	$ 595,942
Accounts Receivable	246,654
Grant Receivable	183,024
Investments	1,219,931
Endowment Fund	153,554
Total Financial Assets	$ 2,399,105
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	$ 159,804
Financial assets available to meet general expenditures over the next twelve months	$ 2,239,301

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity plan to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses. The Organization has a plan to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment owned by the Organization at June 30, 2022 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	$ 429,015	$ -	$ 429,015
Building	1,766,251	911,972	854,279
Land Improvements	310,999	307,717	3,282
Equipment	232,668	210,506	22,162
Furniture	22,345	19,092	3,253
Software	32,681	32,681	-
Vehicles	552,765	445,142	107,623
	$ 3,346,724	$ 1,927,110	$ 1,419,614

Eleven vehicles owned by the Organization costing $552,765 are pledged by a lien from Illinois Department of Transportation until the vehicles have 150,000 miles for the buses and 95,000 for the vans. Two of these vehicles have reached the specified mileage and the Organization has received the titles for these vehicles. Additionally, all of the real property is pledged as collateral for the mortgage payable as described in Note 9.

Depreciation expense in the amount of $104,205 is reported on the Statement of Functional Expenses for the year ended June 30, 2022.

NOTE 8 - LINE OF CREDIT

The Organization has a $300,000 line of credit with American Community Bank that matures On Demand. Bank advances are payable on demand and carry an interest rate of the Prime Rate as published in the Wall Street Journal each day or a pre-determined floor stated in the signed agreement. As of June 30, 2022 the interest rate is 4.75%. The Organization has a zero-balance outstanding as of June 30, 2022. The credit line is secured by the assets of the Organization.

Changes in the line of credit are summarized as follows:

	Balance July 1, 2021	Additions	Retirement	Balance June 30, 2022
Short-Term Debt:				
Line of credit collateralized by real estate: American Community Bank	$ 99,181	$ -	$ 99,181	$ -
Total Short-Term Debt:	$ 99,181	$ -	$ 99,181	$ -

NOTE 9 - NOTES PAYABLE

The Organization's obligations under notes payable consists of the following:

Original mortgage payable of $594,000 with 4.00% interest, due in monthly installments of $4,211, including interest, through April 21, 2026, secured by real estate	$ 562,472
Total Notes Payable	$ 562,472

The future scheduled maturities of notes payable are as follows:

Year ending June 30:	Principal	Interest	Total
2023	$ 28,531	$ 22,004	$ 50,535
2024	29,638	20,897	50,535
2025	30,905	19,630	50,535
2026	473,397	15,390	488,787
Total	$ 562,472	$ 77,921	$ 640,393

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets were donor-restricted at June 30, 2022 for the following purposes:

Purpose for Restricted	Amount
Endowment Fund	$ 153,554
Care Navigator	6,250
Total	$ 159,804

Net assets released from donor restrictions due to occurrence of expenditures in the amount of $26,858 is reported on the Statement of Activities for the year ended June 30, 2022.

NOTE 11 - COMPENSATED ABSENCES

Employees are paid for any unused vacation time at the time of termination. The Organization accrues for unused vacation time at the employee's current salary for the total number of days he or she has earned. As of June 30, 2022, an accrual of $56,083 has been recorded for accumulated vacation leave estimated to be payable in the future.

NOTE 12 - PENSION PLAN

Beginning in October 2002, the Organization established a 401(k) and Profit Sharing plan which all full time employees are eligible to participate in. The Organization approves a 25% match of the employee's contribution each September for the previous year. The match expense for the year ended June 30, 2022 was $18,542.

NOTE 13 - CONDITIONAL PROMISES TO GIVE

The Organization has a conditional promise to give from United Way of Greater McHenry County, Inc. The United Way of Greater McHenry County, Inc.'s conditional promise to give is for the 2022-23 fiscal year allocation of $129,000.

The Organization also has various other conditional promises to give from several agencies, most of which are for purchases of care, and the amount is dependent on services provided.

Since these funds are considered conditional promises they have not been recorded as accounts receivable as of June 30, 2022.

NOTE 14 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under CARES Act Paycheck Protection Program. The loan was $346,502 and was fully forgiven as of June 30, 2022. The proceeds are recorded as grant revenue on the Statement of Activities.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 27, 2022, the date on which the financial statements were available to be issued.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization 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.

SUPPLEMENTAL INFORMATION

INDEPENDENCE HEALTH AND THERAPY
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						Supporting Services				
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies	Transportation	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT											
Unrestricted Contributions	$ -	$ -	$ -	$ 10,500	$ -	$ 10,500	$ 18,183	$ -	$ -	$ 18,183	$ 28,683
Corporate and Foundation Grants and Contributions	250	38,834	-	35,000	18,650	92,734	159,000	-	-	159,000	251,734
Governmental Grants	-	363,689	-	-	-	363,689	636,963	-	-	636,963	1,000,652
Governmental Fee for Service	146,781	8,286	195,731	-	30,936	381,734	-	-	-	-	381,734
Tax Referendum	153,229	-	149,426	-	237,924	540,579	-	-	-	-	540,579
United Way Allocations											
United Way of Greater McHenry County, Inc.	5,000	10,000	5,000	66,000	-	86,000	-	-	-	-	86,000
Client Fees	23,567	12,180	65,788	102,334	18,776	222,645	-	-	-	-	222,645
Returns and Allowances	(9,722)	(34,752)	(12,402)	(12,402)	-	(69,278)	-	-	-	-	(69,278)
Medicare Payments	-	29,604	-	58,979	-	88,583	-	-	-	-	88,583
Medicaid Payments	77,013	170,520	51,900	78,673	27,437	405,543	-	-	-	-	405,543
Secondary Insurance	-	42,243	-	41,312	-	83,555	-	-	-	-	83,555
Special Events	-	-	-	-	-	-	40,098	67,653	-	107,751	107,751
Return on Investment	-	-	-	125	-	125	(135,482)	-	-	(135,482)	(135,357)
Miscellaneous	-	-	-	241	-	241	989	-	-	989	1,230
Total Operating Revenues, Gains, and Other Support	$ 396,118	$ 640,604	$ 455,443	$ 380,762	$ 333,723	$ 2,206,650	$ 719,751	$ 67,653	$ -	$ 787,404	$ 2,994,054
OPERATING EXPENSES											
Salaries	$ 146,000	$ 266,743	$ 163,025	$ 495,290	$ 185,314	$ 1,256,372	$ 339,858	$ 173,680	$ -	$ 513,538	$ 1,769,910
Payroll Taxes	21,280	28,334	22,491	39,211	15,556	126,872	13,649	-	-	13,649	140,521
Retirement Plan	667	1,092	375	8,786	-	10,920	6,952	670	-	7,622	18,542
Other Employee Benefits	26,671	20,303	27,362	65,441	8,477	148,254	9,147	-	-	9,147	157,401
Advertising and Promotion	3,788	1,601	3,987	1,497	-	10,873	19,526	9,811	-	29,337	40,210
Amortization	-	-	-	-	-	-	527	-	-	527	527
Bad Debt	9,136	11,420	8,483	3,589	-	32,628	-	-	-	-	32,628
Client Meals	18,694	-	18,695	-	182	37,571	-	-	-	-	37,571
Client Transportation	-	-	-	-	42,053	42,053	-	-	-	-	42,053
Conferences, Conventions, and Meetings	2,366	1,523	2,429	978	58	7,354	201	154	-	355	7,709
Craft & Therapy Supplies	6,256	71	6,021	2,495	69	14,912	-	-	-	-	14,912
Depreciation	-	-	-	-	48,940	48,940	55,265	-	-	55,265	104,205
Dues, Licenses, and Subscriptions	4,333	1,773	4,932	1,197	13	12,248	99	-	-	99	12,347
Educational Supplies	3,468	3,878	4,854	2,315	26	14,541	1,381	15	-	1,396	15,937
Equipment	2,538	6,396	2,678	2,627	-	14,239	1,753	-	-	1,753	15,992
Food and Entertainment	-	-	-	-	-	-	-	-	14,375	14,375	14,375
Insurance	8,926	-	8,926	-	1,672	19,524	34,830	576	-	35,406	54,930
Interest Expense	7,845	5,540	10,028	-	-	23,413	1,890	-	-	1,890	25,303
Occupancy	6,970	5,069	9,082	9,974	-	31,095	9,965	1,078	14,000	25,043	56,138
Office Expense	10,353	8,382	13,373	13,611	563	46,282	1,350	1,008	-	2,358	48,640
Professional Fees	45,738	196,533	51,928	49,497	219	343,915	546	-	-	546	344,461
Repairs and Maintenance	17,786	13,015	22,976	24,099	18,713	96,589	-	-	-	-	96,589
Travel	796	3,486	899	4,006	-	9,187	66	-	-	66	9,253
Total Operating Expenses	$ 343,611	$ 575,159	$ 382,544	$ 724,613	$ 321,855	$ 2,347,782	$ 497,005	$ 186,992	$ 28,375	$ 712,372	$ 3,060,154
EXCESS OF OPERATING REVENUES, GAINS, AND OTHER SUPPORT OVER/(UNDER) OPERATING EXPENSES AFTER ALLOCATION OF MANAGEMENT AND GENERAL AND FUNDRAISING EXPENSES	$ 52,507	$ 65,445	$ 72,899	$ (343,851)	$ 11,868	$ (141,132)	$ 222,746	$ (119,339)	$ (28,375)	$ 75,032	$ (66,100)

See Accompanying Independent Auditor's Report

INDEPENDENCE HEALTH AND THERAPY
SUMMARY OF GRANT, CONTRIBUTIONS, AND TAX REVENUE
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted Contributions	$ 28,683	$ -	$ 28,683
Corporate and Foundation Grants and Contributions			
Advia	$ 2,500	$ -	$ 2,500
Alfred Bersted Foundation	-	25,000	25,000
Belle Allen Fund	10,000	-	10,000
Cooney Family Fund	10,000	-	10,000
Crystal Lake Chamber	1,000	-	1,000
Crystal Lake Young Professionals	700	-	700
First Congregational Church	480	-	480
Foglia Family Foundation	50,000	-	50,000
Full Circle Foundation	-	15,000	15,000
Family Health Partnership Clinic	250	13,834	14,084
Leadership Greater McHenry County	-	3,640	3,640
Luis Meyer Family Foundation	-	1,000	1,000
McHenry County Community Foundation	-	25,000	25,000
Mental Health Resource League	6,167	-	6,167
Ridgefield Crystal Lake Presbyterian Church	750	-	750
Service League of CL	500	-	500
Walmart Foundation	-	1,000	1,000
Woodstock Chamber	650	-	650
Woodstock Rotary	-	1,000	1,000
Weiller Family Foundation	4,000	-	4,000
Willow Springs Foundation	75,000	-	75,000
Youth and Family Center	3,650	-	3,650
Other - Donations	113	500	613
	$ 165,760	$ 85,974	$ 251,734
Governmental Grants			
County 708 Grant	$ 363,689	$ -	$ 363,689
CARES Act	499,551	-	499,551
Health Resources and Service Administration	137,412	-	137,412
	$ 1,000,652	$ -	$ 1,000,652
Governmental Fee for Service			
Illinois Department on Aging	$ 303,421	$ -	$ 303,421
Illinois Department of Rehabilitation	19,090	-	19,090
Northeastern Illinois Area Agency on Aging	20,259	-	20,259
Veterans Administration	38,964	-	38,964
	$ 381,734	$ -	$ 381,734
Tax Referendum			
McHenry County Senior Services Referendum	$ 540,579	$ -	$ 540,579
United Way Allocations			
United Way of Greater McHenry County, Inc.	$ 86,000	$ -	$ 86,000
	$ 86,000	$ -	$ 86,000