



815.344.1300 mchenry  
847.382.3366 barrington  
847.336.6455 gurnee  
www.edercasella.com

***INDEPENDENCE HEALTH & THERAPY***

***AUDITED FINANCIAL STATEMENTS***

***JUNE 30, 2021***

**eder, casella & co**

INDEPENDENCE HEALTH & THERAPY

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of

#### INDEPENDENCE HEALTH & THERAPY (a non-profit organization)

which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, statement of functional expenses, and statement of 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Health & Therapy 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 17 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.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The supplemental financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, on our consideration of Independence Health & Therapy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Independence Health & Therapy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independence Health & Therapy's internal control over financial reporting and compliance.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
November 2, 2021



815.344.1300 mchenry  
847.382.3366 barrington  
847.336.6455 gurnee  
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

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

We have audited, in accordance with the 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  
(a non-profit organization)

as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independence Health & Therapy's basic financial statements and have issued our report thereon dated November 2, 2021.

**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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Organization'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.

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## 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 determination of financial statement amounts. 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 Organization'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 Organization'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  
November 2, 2021

## FINANCIAL STATEMENTS

INDEPENDENCE HEALTH AND THERAPY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 516,652	
Accounts Receivable (Net of Allowance for Uncollectibles of \$42,454)	176,032	
Grants Receivable (Net of Allowance for Uncollectibles of \$0)	587,633	
Prepaid Expenses	28,083	
Total Current Assets	<u>1,308,400</u>	\$ 1,308,400

Investments 1,335,257

Property and Equipment, Net 1,517,532

OTHER ASSETS

Endowment Fund		179,793
Financing Costs, Net		<u>2,371</u>

TOTAL ASSETS \$ 4,343,353

LIABILITIES

Current Liabilities

Accounts Payable	\$ 33,503	
Accrued Expenses	81,791	
Payroll Liabilities	15,841	
Line of Credit	99,181	
Current Portion Long-Long Term Debt	27,412	
Total Current Liabilities	<u>257,728</u>	\$ 257,728

Other Liabilities

Unearned Revenue	\$ 415,791	
Compensated Absences	43,664	
Total Other Liabilities	<u>459,455</u>	459,455

Long-Term Debt

Notes Payable	\$ 585,384	
Less: Current Portion	(27,412)	
Total Long-Term Debt	<u>557,972</u>	557,972

TOTAL LIABILITIES \$ 1,275,155

NET ASSETS

Without Donor Restriction		
Undesignated	\$ 2,888,405	
Board Designated	41,922	
	<u>2,930,327</u>	\$ 2,930,327

With Donor Restriction 137,871  
Total Net Assets \$ 3,068,198

TOTAL LIABILITIES AND NET ASSETS \$ 4,343,353

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Unrestricted Contributions	\$ 15,463	\$ -	\$ 15,463
Corporate and Foundation Grants and Contributions	198,283	-	198,283
Governmental Grants	1,455,861	-	1,455,861
Governmental Fee for Service	406,440	-	406,440
Tax Referendum	441,531	-	441,531
United Way of Greater McHenry County, Inc.	153,850	-	153,850
Other United Ways	187	-	187
Client Fees	101,059	-	101,059
Returns and Allowances	(102,869)	-	(102,869)
Medicare Payments	54,673	-	54,673
Medicaid Payments	236,334	-	236,334
Non-Medicaid Payments	60,574	-	60,574
Special Events	83,948	-	83,948
Return on Investment	226,838	39,670	266,508
Miscellaneous	1,256	-	1,256
Net Assets Released from Restrictions	8,757	(8,757)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>\$ 3,342,185</b>	<b>\$ 30,913</b>	<b>\$ 3,373,098</b>
<b>EXPENSES</b>			
<b>Program Services</b>			
Adult Day Health	\$ 439,217	\$ -	\$ 439,217
Behavioral Health Services	422,141	-	422,141
Memory Care Program	456,859	-	456,859
Therapies	524,703	-	524,703
<b>Total Program Services</b>	<b>\$ 1,842,920</b>	<b>\$ -</b>	<b>\$ 1,842,920</b>
<b>Supporting Services</b>			
Management and General	\$ 459,250	\$ -	\$ 459,250
Fundraising	147,781	-	147,781
Direct Benefit to Donors	409	-	409
<b>Total Supporting Services</b>	<b>\$ 607,440</b>	<b>\$ -</b>	<b>\$ 607,440</b>
<b>Total Expenses</b>	<b>\$ 2,450,360</b>	<b>\$ -</b>	<b>\$ 2,450,360</b>
Change in Net Assets from Operations	\$ 891,825	\$ 30,913	\$ 922,738
Net Assets at Beginning of Year	2,038,502	106,958	2,145,460
<b>Net Assets at End of Year</b>	<b>\$ 2,930,327</b>	<b>\$ 137,871</b>	<b>\$ 3,068,198</b>

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, 2021

	Program Services				Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies		Management and General	Fundraising	Direct Benefit to Donors		
Salaries	\$ 231,151	\$ 177,805	\$ 233,332	\$ 374,569	\$ 1,016,857	\$ 299,905	\$ 138,432	\$ -	\$ 438,337	\$ 1,455,194
Payroll Taxes	27,609	20,413	27,772	29,306	105,100	10,008	-	-	10,008	115,108
Retirement Plan	503	-	540	8,997	10,040	6,186	1,231	-	7,417	17,457
Other Employee Benefits	33,792	25,092	34,377	41,611	134,872	(645)	-	-	(645)	134,227
Advertising and Promotion	-	289	-	-	289	20,391	7,131	-	27,522	27,811
Amortization	-	-	-	-	-	264	-	-	264	264
Bad Debt	(4,637)	(10,202)	(8,347)	(7,728)	(30,914)	-	-	-	-	(30,914)
Client Meals	11,356	-	11,357	-	22,713	-	-	-	-	22,713
Client Transportation	9,575	-	9,576	-	19,151	-	-	-	-	19,151
Conferences, Conventions, and Meetings	4,166	3,882	5,214	2,121	15,383	80	13	-	93	15,476
Craft & Therapy Supplies	5,750	855	6,026	1,602	14,233	-	-	-	-	14,233
Depreciation	21,766	-	21,766	-	43,532	62,415	-	-	62,415	105,947
Dues, Licenses, and Subscriptions	3,265	2,066	2,842	694	8,867	9	-	-	9	8,876
Equipment	80	1,023	103	1,350	2,556	-	-	-	-	2,556
Food and Entertainment	-	-	-	-	-	-	-	409	409	409
Insurance	6,876	39	6,883	25	13,823	46,449	-	-	46,449	60,272
Interest Expense	9,501	6,910	11,665	-	28,076	11,460	-	-	11,460	39,536
Occupancy	20,916	14,419	26,988	25,654	87,977	66	74	-	140	88,117
Office Expense	8,059	6,266	10,328	9,445	34,098	2,662	900	-	3,562	37,660
Professional Fees	39,697	168,193	44,822	29,584	282,296	-	-	-	-	282,296
Repairs and Maintenance	9,067	3,127	10,799	5,225	28,218	-	-	-	-	28,218
Scholarship	-	92	-	-	92	-	-	-	-	92
Travel	725	1,872	816	2,248	5,661	-	-	-	-	5,661
	<u>\$ 439,217</u>	<u>\$ 422,141</u>	<u>\$ 456,859</u>	<u>\$ 524,703</u>	<u>\$ 1,842,920</u>	<u>\$ 459,250</u>	<u>\$ 147,781</u>	<u>\$ 409</u>	<u>\$ 607,440</u>	<u>\$ 2,450,360</u>

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 922,738	
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	105,947	
Amortization	264	
Unrealized (Gain)/Loss on Investments	(263,270)	
Decrease/(Increase) in Assets:		
Accounts Receivable	(436,217)	
Grants Receivable	(103,770)	
Prepaid Expenses	(2,203)	
Increase/(Decrease) in Liabilities:		
Accounts Payable	(984)	
Accrued Expenses	7,281	
Payroll Liabilities	1,978	
Unearned Revenue	(71,114)	
Compensated Absences	(24,250)	
Net Cash Flows Provided/(Used) by Operating Activities	\$ 136,400	

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	\$ (149,394)	
Sale of Investments	201,042	
Purchase of Investments	(207,676)	
Net Cash Flows Provided/(Used) by Investing Activities	(156,028)	

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long Term Debt	\$ (610,881)	
Proceeds on Long Term Debt	594,000	
Payments on Line of Credit	(194,405)	
Net Cash Flows Provided/(Used) by Financing Activities	(211,286)	

NET INCREASE/(DECREASE) IN CASH AND CASH  
EQUIVALENTS

\$ (230,914)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

747,566

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 516,652

SUPPLEMENTAL DISCLOSURES:

Interest Paid	\$ 39,536	
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The Notes to Financial Statements are an integral part of this statement.

INDEPENDENCE HEALTH & THERAPY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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:

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 board of directors and its management (“Management”).

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, 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### *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
Software	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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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, 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 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, 2021 exceeded federally insured limits by \$92,376. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2021. 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 1)	Significant Other Observable Inputs (Level 2)
Endowment Funds	\$ 179,793	\$ -	\$ 179,793
Municipal Bonds	349,262	-	349,262
Corporate Bonds	108,657	-	108,657
Asset Backed Securities	54	-	54
Equity - Common Stock	834,038	834,038	-
Equity - Real Estate Investment Trusts	33,764	33,764	-
Mutual Funds	9,482	9,482	-
	<u>\$ 1,515,050</u>	<u>\$ 877,284</u>	<u>\$ 637,766</u>

**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
Municipal Bonds	\$ 327,860	\$ 349,262	\$ 21,402
Corporate Bonds	102,892	108,657	5,765
Asset Backed Securities	50	54	4
Equity - Common Stock	583,221	834,038	250,817
Equity - Real Estate Investment Trusts	27,988	33,764	5,776
Mutual Funds	8,538	9,482	944
	<u>\$ 1,050,549</u>	<u>\$ 1,335,257</u>	<u>\$ 284,708</u>

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

Interest and Dividends	\$ 34,312
Unrealized Gain/(Loss) on Investments	263,270
Realized Gain/(Loss) on Investments	(17,224)
Administrative Fees	(13,850)
	<u>\$ 266,508</u>

**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.

NOTES TO FINANCIAL STATEMENTS (Continued)

*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, 2021:

Agency Endowment Fund - Mutual Funds	Fair Market Value
Without Donor Restrictions - Board-Designated	\$ 41,922
With Donor Restrictions	137,871
	<u>\$ 179,793</u>

Investment income and expense consists of the following for the year ended June 30, 2021:



## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021	Without Donor Restriction	With Donor Restriction	Total Endowment
	Board Designated		
Endowment Net Assets, 7/1/2020	\$ 31,789	\$ 102,958	\$ 134,747
Return on Investment	11,264	37,630	48,894
Investment Earnings	610	2,040	2,650
Endowment Administrative Fee	(354)	(1,157)	(1,511)
Distributions	(1,437)	(3,600)	(5,037)
Contributions	50	-	50
Endowment Net Assets, 6/30/2021	<u>\$ 41,922</u>	<u>\$ 137,871</u>	<u>\$ 179,793</u>

### 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, 2021 are as follows:

	2021
Financial assets at year end:	
Cash and Cash Equivalents	\$ 516,646
Accounts Receivable	176,032
Grant Receivable	587,633
Investments	1,335,257
Endowment Fund	179,793
Total Financial Assets	<u>\$ 2,795,361</u>
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	\$ 137,871
Quasi endowment established by the Board	41,922
	<u>\$ 179,793</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,615,568</u>

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, 2021 consist of the following:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Cost	Accumulated Depreciation	Book Value
Land	\$ 429,015	\$ -	\$ 429,015
Building	1,766,251	875,213	891,038
Land Improvements	310,999	301,412	9,587
Equipment	229,268	200,089	29,179
Furniture	19,456	17,306	2,150
Software	32,681	32,681	-
Vehicles	552,765	396,202	156,563
	<u>\$ 3,340,435</u>	<u>\$ 1,822,903</u>	<u>\$ 1,517,532</u>

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 and line of credit as described in Notes 9 and 10.

Depreciation expense in the amount of \$105,947 is reported on the Statement of Functional Expenses for the year ended June 30, 2021.

**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, 2021 the interest rate is 3.25%, which is the floor stated in the signed agreement. The Organization has a balance of \$99,181 outstanding as of June 30, 2021. The credit line is secured by the assets of the Organization.

Changes in the line of credit are summarized as follows:

	Balance July 1, 2020	Additions	Retirement	Balance June 30, 2021
Short-Term Debt:				
Line of credit collateralized by real estate: American Community Bank	\$ 293,586	\$ -	\$ 194,405	\$ 99,181
Total Short-Term Debt:	<u>\$ 293,586</u>	<u>\$ -</u>	<u>\$ 194,405</u>	<u>\$ 99,181</u>

**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	\$ 585,384
Total Notes Payable	<u>\$ 585,384</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

The future scheduled maturities of notes payable are as follows:

Year ending June 30:	Principal	Interest
2022	\$ 27,412	\$ 23,123
2023	28,531	22,004
2024	29,638	20,897
2025	30,905	19,630
2026	468,897	15,390
Total	\$ 585,384	\$ 101,044

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets were donor-restricted at June 30, 2021 for the following purposes:

Purpose for Restricted	Amount
Endowment Fund	\$ 137,871
Total	\$ 137,871

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$8,757 is reported on the Statement of Activities for the year ended June 30, 2021.

**NOTE 11 - BOARD-DESIGNATED NET ASSETS**

The Governing Board of the Organization has designated Net Assets Without Donor Restrictions at June 30, 2021 for the following purposes:

Purpose for Designation	Amount
Endowment Fund	\$ 41,922

**NOTE 12 - 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, 2021, an accrual of \$43,664 has been recorded for accumulated vacation leave estimated to be payable in the future.

**NOTE 13 - 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, 2021 was \$17,457.

**NOTE 14 - 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 2021-22 fiscal year allocation of \$86,000.

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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

Since these funds are considered conditional promises they have not been recorded as accounts receivable as of June 30, 2021.

### **NOTE 15 - PAYCHECK PROTECTION PROGRAM**

The Organization received a forgivable loan through the US Small Business Administration under CARES Act Paycheck Protection Program. The loan was \$407,405 and was fully forgiven as of June 30, 2021. The proceeds are recorded as grant revenue on the Statement of Activities.

The Organization received a forgivable loan through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loan was for \$346,502 and is outstanding as of June 30, 2021 and shown under Unearned Revenue on the Statement of Net Position. 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 interest rate of 1%.

### **NOTE 16 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 2, 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 17 - 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.

SUPPLEMENTAL INFORMATION

INDEPENDENCE HEALTH AND THERAPY  
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES BY PROGRAM WITH  
ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Supporting Services			Total Supporting Services	Total
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies		Management and General	Fundraising	Direct Benefit to Donors		
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>										
Unrestricted Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,063	\$ 1,400	\$ -	\$ 15,463	\$ 15,463
Corporate and Foundation Grants and Contributions	5,000	14,094	5,000	22,034	46,128	152,155	-	-	152,155	198,283
Governmental Grants	55,923	311,797	55,923	16,000	439,643	1,016,218	-	-	1,016,218	1,455,861
Governmental Fee for Service	201,746	2,659	202,035	-	406,440	-	-	-	-	406,440
Tax Referendum	231,782	-	209,749	-	441,531	-	-	-	-	441,531
United Way Allocations										
United Way of Greater McHenry County, Inc.	19,005	22,625	21,720	90,500	153,850	-	-	-	-	153,850
Other United Ways	-	-	-	-	-	187	-	-	187	187
Client Fees	6,512	3,552	25,945	65,050	101,059	-	-	-	-	101,059
Returns and Allowances	(5,276)	(24,197)	(1,337)	(72,059)	(102,869)	-	-	-	-	(102,869)
Medicare Payments	-	21,711	-	32,962	54,673	-	-	-	-	54,673
Medicaid Payments	36,002	124,877	20,933	54,522	236,334	-	-	-	-	236,334
Secondary Insurance	-	16,024	-	44,550	60,574	-	-	-	-	60,574
Special Events	-	-	-	-	-	1,166	82,782	-	83,948	83,948
Return on Investment	-	-	-	79	79	266,429	-	-	266,429	266,508
Miscellaneous	850	220	-	556	1,626	(370)	-	-	(370)	1,256
<b>Total Operating Revenues, Gains, and Other Support</b>	<b>\$ 551,544</b>	<b>\$ 493,362</b>	<b>\$ 539,968</b>	<b>\$ 254,194</b>	<b>\$ 1,839,068</b>	<b>\$ 1,449,848</b>	<b>\$ 84,182</b>	<b>\$ -</b>	<b>\$ 1,534,030</b>	<b>\$ 3,373,098</b>
<b>OPERATING EXPENSES</b>										
Salaries	\$ 231,151	\$ 177,805	\$ 233,332	\$ 374,569	\$ 1,016,857	\$ 299,905	\$ 138,432	\$ -	\$ 438,337	\$ 1,455,194
Payroll Taxes	27,609	20,413	27,772	29,306	105,100	10,008	-	-	10,008	115,108
Retirement Plan	503	-	540	8,997	10,040	6,186	1,231	-	7,417	17,457
Other Employee Benefits	33,792	25,092	34,377	41,611	134,872	(645)	-	-	(645)	134,227
Advertising and Promotion	-	289	-	-	289	20,391	7,131	-	27,522	27,811
Amortization	-	-	-	-	-	264	-	-	264	264
Bad Debt	(4,637)	(10,202)	(8,347)	(7,728)	(30,914)	-	-	-	-	(30,914)
Client Meals	11,356	-	11,357	-	22,713	-	-	-	-	22,713
Client Transportation	9,575	-	9,576	-	19,151	-	-	-	-	19,151
Conferences, Conventions, and Meetings	4,166	3,882	5,214	2,121	15,383	80	13	-	93	15,476
Craft & Therapy Supplies	5,750	855	6,026	1,602	14,233	-	-	-	-	14,233
Depreciation	21,766	-	21,766	-	43,532	62,415	-	-	62,415	105,947
Dues, Licenses, and Subscriptions	3,265	2,066	2,842	694	8,867	9	-	-	9	8,876
Equipment	80	1,023	103	1,350	2,556	-	-	-	-	2,556
Food and Entertainment	-	-	-	-	-	-	-	409	409	409
Insurance	6,876	39	6,883	25	13,823	46,449	-	-	46,449	60,272
Interest Expense	9,501	6,910	11,665	-	28,076	11,460	-	-	11,460	39,536
Occupancy	20,916	14,419	26,988	25,654	87,977	66	74	-	140	88,117
Office Expense	8,059	6,266	10,328	9,445	34,098	2,662	900	-	3,562	37,660
Professional Fees	39,697	168,193	44,822	29,584	282,296	-	-	-	-	282,296
Repairs and Maintenance	9,067	3,127	10,799	5,225	28,218	-	-	-	-	28,218
Scholarship	-	92	-	-	92	-	-	-	-	92
Travel	725	1,872	816	2,248	5,661	-	-	-	-	5,661
<b>Total Operating Expenses</b>	<b>\$ 439,217</b>	<b>\$ 422,141</b>	<b>\$ 456,859</b>	<b>\$ 524,703</b>	<b>\$ 1,842,920</b>	<b>\$ 459,250</b>	<b>\$ 147,781</b>	<b>\$ 409</b>	<b>\$ 607,440</b>	<b>\$ 2,450,360</b>
<b>EXCESS OF OPERATING REVENUES, GAINS, AND OTHER SUPPORT OVER/(UNDER) OPERATING EXPENSES AFTER ALLOCATION OF MANAGEMENT AND GENERAL AND FUNDRAISING EXPENSES</b>										
	<b>\$ 112,327</b>	<b>\$ 71,221</b>	<b>\$ 83,109</b>	<b>\$ (270,509)</b>	<b>\$ (3,852)</b>	<b>\$ 990,598</b>	<b>\$ (63,599)</b>	<b>\$ (409)</b>	<b>\$ 926,590</b>	<b>\$ 922,738</b>

See Accompanying Independent Auditor's Report

INDEPENDENCE HEALTH AND THERAPY  
SUMMARY OF GRANT, CONTRIBUTIONS, AND TAX REVENUE  
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted Contributions	\$ 15,463	\$ -	\$ 15,463
Corporate and Foundation Grants and Contributions			
Alfred Bersted Foundation	\$ 15,000	\$ -	\$ 15,000
Aptar Group	3,000	-	3,000
Boncosky Family Charitable Foundation	1,250	-	1,250
D. Trom	500	-	500
First Congregational Church	365	-	365
Foglia Family Foundation	50,000	-	50,000
Full Circle Foundation	10,000	-	10,000
Family Health Partnership Clinic	14,094	-	14,094
Laura Wiedrich Estate	5,534	-	5,534
Luis Meyer Family Foundation	1,000	-	1,000
Mental Health Resource League	14,350	-	14,350
Service League of CL	1,000	-	1,000
Shepard of the Hills	160	-	160
Walmart Foundation	1,500	-	1,500
Woodstock Rotary	1,500	-	1,500
Weiller Family Foundation	4,000	-	4,000
Willow Springs Foundation	75,000	-	75,000
Other - Donations	30	-	30
	<u>\$ 198,283</u>	<u>\$ -</u>	<u>\$ 198,283</u>
Governmental Grants			
County 708 Grant	\$ 327,797	\$ -	\$ 327,797
CARES Act	1,016,218	-	1,016,218
Illinois Department of Transportation	111,846	-	111,846
	<u>\$ 1,455,861</u>	<u>\$ -</u>	<u>\$ 1,455,861</u>
Governmental Fee for Service			
Illinois Department on Aging	\$ 357,679	\$ -	\$ 357,679
Illinois Department of Rehabilitation	9,851	-	9,851
Northeastern Illinois Area Agency on Aging	9,235	-	9,235
Veterans Administration	29,675	-	29,675
	<u>\$ 406,440</u>	<u>\$ -</u>	<u>\$ 406,440</u>
Tax Referendum			
McHenry County Senior Services Referendum	\$ 441,531	\$ -	\$ 441,531
United Way Allocations			
United Way of Greater McHenry County, Inc.	\$ 153,850	\$ -	\$ 153,850
Other United Ways	187	-	187
	<u>\$ 154,037</u>	<u>\$ -</u>	<u>\$ 154,037</u>

See Accompanying Independent Auditor's Report