



INDEPENDENCE HEALTH & THERAPY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

INDEPENDENCE HEALTH & THERAPY

TABLE OF CONTENTS

JUNE 30, 2023

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
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 <i>GOVERNMENT AUDITING STANDARDS</i>	4
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTAL INFORMATION	
Schedule of Operating Revenues and Operating Expenses by Program with Allocation of Management and General Expenses	18
Summary of Grant and Contributions Revenue	19



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, 2023, and the related statements 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, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the notes to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). 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 and *Government Auditing Standards* 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.

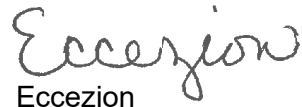
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 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 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 *Government Auditing Standards* in considering Independence Health & Therapy's internal control over financial reporting and compliance.

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.



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McHenry, Illinois
October 26, 2023



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 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, 2023, 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 October 26, 2023.

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.

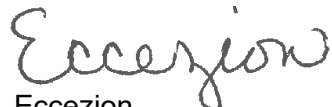
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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


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McHenry, Illinois
October 26, 2023

FINANCIAL STATEMENTS

INDEPENDENCE HEALTH AND THERAPY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 213,763	
Accounts Receivable (Net of Allowance for Uncollectibles of \$57,254)	219,639	
Grants Receivable	177,433	
Prepaid Expenses	22,265	
Total Current Assets		\$ 633,100

Investments 1,293,000

Property and Equipment, Net 1,333,807

OTHER ASSETS

Endowment Fund	\$ 169,411	
Financing Costs, Net	1,317	
Total Other Assets		170,728

TOTAL ASSETS \$ 3,430,635

LIABILITIES

Current Liabilities

Accounts Payable	\$ 41,765	
Accrued Expenses	91,761	
Payroll Liabilities	15,128	
Line of Credit	118,270	
Current Portion Long-Long Term Debt	29,638	
Total Current Liabilities		\$ 296,562

Other Liabilities

Unearned Revenue	\$ 65,523	
Compensated Absences	62,990	
Total Other Liabilities		128,513

Long-Term Debt

Notes Payable	\$ 534,229	
Less: Current Portion	(29,638)	
Total Long-Term Debt		504,591

TOTAL LIABILITIES \$ 929,666

NET ASSETS

Without Donor Restriction		\$ 2,331,558
With Donor Restriction		169,411
Total Net Assets		\$ 2,500,969

TOTAL LIABILITIES AND NET ASSETS \$ 3,430,635

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Unrestricted Contributions	\$ 45,219	\$ -	\$ 45,219
Corporate and Foundation Grants and Contributions	216,322	-	216,322
Governmental Grants	440,520	-	440,520
Governmental Fee for Service	194,301	-	194,301
Tax Referendum	632,347	-	632,347
United Way of Greater McHenry County, Inc.	129,000	-	129,000
Client Fees	290,199	-	290,199
Returns and Allowances	(104,394)	-	(104,394)
Medicare Payments	71,168	-	71,168
Medicaid Payments	36,966	-	36,966
Non-Medicaid Payments	75,367	-	75,367
Managed Care Payments	389,699	-	389,699
Special Events	97,386	-	97,386
Return on Investment	97,597	15,857	113,454
Miscellaneous	2,805	-	2,805
Net Assets Released from Restrictions	6,250	(6,250)	-
Total Revenues, Gains, and Other Support	\$ 2,620,752	\$ 9,607	\$ 2,630,359
EXPENSES			
Program Services			
Adult Day Health	\$ 347,551	\$ -	\$ 347,551
Behavioral Health Services	714,413	-	714,413
Memory Care Program	386,509	-	386,509
Therapies	628,824	-	628,824
Transportation	345,875	-	345,875
Total Program Services	\$ 2,423,172	\$ -	\$ 2,423,172
Supporting Services			
Management and General	\$ 490,991	\$ -	\$ 490,991
Fundraising	194,423	-	194,423
Direct Benefit to Donors	22,902	-	22,902
Total Supporting Services	\$ 708,316	\$ -	\$ 708,316
Total Expenses	\$ 3,131,488	\$ -	\$ 3,131,488
Change in Net Assets from Operations	\$ (510,736)	\$ 9,607	\$ (501,129)
Net Assets at Beginning of Year	2,842,294	159,804	3,002,098
Net Assets at End of Year	\$ 2,331,558	\$ 169,411	\$ 2,500,969

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, 2023

	Program Services					Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies	Transportation		Management and General	Fundraising	Direct Benefit to Donors		
Salaries	\$ 154,962	\$ 320,310	\$ 171,414	\$ 438,426	\$ 215,760	\$ 1,300,872	\$ 351,687	\$ 178,978	\$ -	\$ 530,665	\$ 1,831,537
Payroll Taxes	22,381	31,224	24,161	36,692	19,395	133,853	13,488	-	-	13,488	147,341
Retirement Plan	1,374	944	1,122	9,390	-	12,830	6,554	1,245	-	7,799	20,629
Other Employee Benefits	34,875	21,044	32,839	53,951	8,487	151,196	4,893	-	-	4,893	156,089
Advertising and Promotion	20	15	23	9	99	166	9,337	10,900	-	20,237	20,403
Amortization	-	-	-	-	-	-	527	-	-	527	527
Bad Debt	(4,992)	(6,240)	(4,635)	(1,960)	-	(17,827)	-	-	-	-	(17,827)
Client Meals	23,178	-	23,177	-	-	46,355	-	-	-	-	46,355
Client Transportation	1,856	-	1,857	-	42,064	45,777	-	-	-	-	45,777
Conferences, Conventions, and Meetings	5,284	5,348	7,005	2,912	253	20,802	741	22	-	763	21,565
Craft and Therapy Supplies	1,263	427	1,161	989	63	3,903	-	-	-	-	3,903
Depreciation	-	-	-	-	39,666	39,666	46,141	-	-	46,141	85,807
Dues, Licenses, and Subscriptions	4,309	2,556	5,064	1,289	-	13,218	111	135	-	246	13,464
Educational Supplies	-	57	-	-	-	57	337	1,005	-	1,342	1,399
Equipment	753	2,384	880	3,107	-	7,124	4,450	-	-	4,450	11,574
Food and Entertainment	-	-	-	-	-	-	-	-	8,697	8,697	8,697
Insurance	10,620	-	10,620	-	-	21,240	37,076	655	-	37,731	58,971
Interest Expense	6,819	4,958	8,885	-	-	20,662	594	-	-	594	21,256
Occupancy	7,292	6,553	9,501	10,327	-	33,673	2,143	-	14,205	16,348	50,021
Office Expense	11,000	9,160	13,762	11,648	270	45,840	4,897	1,483	-	6,380	52,220
Professional Fees	46,986	296,938	54,666	36,639	270	435,499	7,733	-	-	7,733	443,232
Repairs and Maintenance	19,219	14,335	24,612	20,940	19,548	98,654	12	-	-	12	98,666
Travel	352	4,400	395	4,465	-	9,612	270	-	-	270	9,882
	<u>\$ 347,551</u>	<u>\$ 714,413</u>	<u>\$ 386,509</u>	<u>\$ 628,824</u>	<u>\$ 345,875</u>	<u>\$ 2,423,172</u>	<u>\$ 490,991</u>	<u>\$ 194,423</u>	<u>\$ 22,902</u>	<u>\$ 708,316</u>	<u>\$ 3,131,488</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	(501,129)	
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:			
Depreciation		85,807	
Amortization		527	
Unrealized (Gain)/Loss on Investments		(99,482)	
Decrease/(Increase) in Assets:			
Accounts Receivable		27,015	
Grants Receivable		5,591	
Prepaid Expenses		3,261	
Increase/(Decrease) in Liabilities:			
Accounts Payable		754	
Accrued Expenses		(2,712)	
Payroll Liabilities		(2,266)	
Unearned Revenue		(7,035)	
Compensated Absences		6,907	
Net Cash Flows Provided/(Used) by Operating Activities		(482,762)	\$ (482,762)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of Investments	\$	92,962	
Purchase of Investments		(82,118)	
Net Cash Flows Provided/(Used) by Investing Activities		10,844	10,844

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long Term Debt	\$	(28,531)	
Proceeds on Line of Credit		204,270	
Payments on Line of Credit		(86,000)	
Net Cash Flows Provided/(Used) by Financing Activities		89,739	89,739

NET INCREASE/(DECREASE) IN CASH AND CASH
EQUIVALENTS

\$ (382,179)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

595,942

CASH AND CASH EQUIVALENTS AT END OF YEAR

213,763

SUPPLEMENTAL DISCLOSURES:

Interest Paid	\$	21,256
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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, 2023

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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>YEARS</u>
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.

Leases

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Net Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU assets also

NOTES TO FINANCIAL STATEMENTS (Continued)

can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not currently have any material operating type leases that fall under this policy.

Finance leases are those in which ownership is transferred, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Net Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material financing type leases that fall under this policy.

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, 2023. 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. At June 30, 2023 the Organization was fully collateralized.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

- **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, 2023. All are considered Level 1 or Level 2 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	\$ 169,411	\$ -	\$ 169,411
U.S. Government Bonds	9,952	-	9,952
Municipal Bonds	349,124	-	349,124
Corporate Bonds	75,032	-	75,032
Asset Backed Securities	22	-	22
Equity - Common Stock	829,594	829,594	-
Equity - Real Estate Investment Trusts	29,276	29,276	-
	<u>\$ 1,462,411</u>	<u>\$ 858,870</u>	<u>\$ 603,541</u>

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at June 30, 2023:

	Cost	Fair Market Value	Unrealized Appreciation
U.S. Government Bonds	\$ 10,001	\$ 9,952	\$ (49)
Municipal Bonds	370,686	349,124	(21,562)
Corporate Bonds	82,148	75,032	(7,116)
Asset Backed Securities	22	22	-
Equity - Common Stock	607,471	829,594	222,123
Equity - Real Estate Investment	27,741	29,276	1,535
	<u>\$ 1,098,069</u>	<u>\$ 1,293,000</u>	<u>\$ 194,931</u>

Investment return for the year ended June 30, 2023 consists of the following:

Interest and Dividends	\$ 37,176
Unrealized Gain/(Loss) on Investments	99,482
Realized Gain/(Loss) on Investments	(8,093)
Administrative Fees	(15,111)
	<u>\$ 113,454</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.

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, 2023:

Agency	
Endowment Fund -	Fair Market
Mutual Funds	Value
With Donor Restrictions	<u>\$ 169,411</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment income and expense consists of the following for the year ended June 30, 2023:

June 30, 2023	With Donor Restriction	Total Endow ment
Endow ment Net Assets, 7/1/2022	\$ 153,554	\$ 153,554
Return on Investment	17,507	17,507
Endow ment Administrative Fee	(1,650)	(1,650)
Endow ment Net Assets, 6/30/2023	<u>\$ 169,411</u>	<u>\$ 169,411</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, 2023 are as follows:

	2023
Financial assets at year end:	
Cash and Cash Equivalents	\$ 213,763
Accounts Receivable	219,639
Grant Receivable	177,433
Investments	1,293,000
Endow ment Fund	169,411
Total Financial Assets	<u>\$ 2,073,246</u>
Less amounts not available to be used w ithin one year:	
Net Assets w ith Donor Restrictions	<u>\$ 169,411</u>
Financial assets available to meet general expenditures over the next tw elve months	<u>\$ 1,903,835</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, 2023 consists of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 429,015	\$ -	\$ 429,015
Building	1,766,251	948,701	817,550
Land Improvements	310,999	308,122	2,877
Equipment	232,668	218,720	13,948
Furniture	22,345	19,885	2,460
Softw are	32,681	32,681	-
Vehicles	552,765	484,808	67,957
	<u>\$ 3,346,724</u>	<u>\$ 2,012,917</u>	<u>\$ 1,333,807</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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$85,807 is reported on the Statement of Functional Expenses for the year ended June 30, 2023.

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, 2023 the interest rate is 8.25%. The Organization has an outstanding balance of \$118,270 as of June 30, 2023. The credit line is secured by the assets of the Organization.

Changes in the line of credit are summarized as follows:

	Balance July 1, 2022	Additions	Retirement	Balance June 30, 2023
Short-Term Debt:				
Line of credit collateralized by real estate: American Community Bank	\$ -	\$ 204,270	\$ 86,000	\$ 118,270
Total Short-Term Debt:	<u>\$ -</u>	<u>\$ 204,270</u>	<u>\$ 86,000</u>	<u>\$ 118,270</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.	\$ 534,229
Total Notes Payable	<u>\$ 534,229</u>

The future scheduled maturities of notes payable are as follows:

Year ending June 30:	Principal	Interest	Total
2024	\$ 29,638	\$ 20,897	\$ 50,535
2025	30,905	19,630	50,535
2026	473,686	15,390	489,076
Total	<u>\$ 534,229</u>	<u>\$ 55,917</u>	<u>\$ 590,146</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets were donor-restricted at June 30, 2023 for the following purposes:

Purpose for Restricted	Amount
Endowment Fund	<u>\$ 169,411</u>

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$6,250 are reported on the Statement of Activities for the year ended June 30, 2023.

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, 2023, an accrual of \$62,990 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, 2023 was \$20,629.

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 2023-24 fiscal year allocation of \$135,500.

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, 2023.

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 26, 2023, the date on which the financial statements were available to be issued.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842). The Organization did not have any material agreements that fell under this standard, therefore, there were no adjustments related to the implementation of this standard.

SUPPLEMENTAL INFORMATION

INDEPENDENCE HEALTH AND THERAPY
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Total Program Services	Supporting Services			Total Supporting Services	Total
	Adult Day Health	Behavioral Health Services	Memory Care Program	Therapies	Transportation		Management and General	Fundraising	Direct Benefit to Donors		
OPERATING REVENUES, GAINS, AND OTHER SUPPORT											
Unrestricted Contributions	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000	\$ 25,219	\$ -	\$ -	\$ 25,219	\$ 45,219
Corporate and Foundation Grants and Contributions	300	-	-	30,000	23,500	53,800	162,522	-	-	162,522	216,322
Governmental Grants	-	440,520	-	-	-	440,520	-	-	-	-	440,520
Governmental Fee for Service	88,371	15,752	57,626	480	32,072	194,301	-	-	-	-	194,301
Tax Referendum	177,711	-	178,830	-	275,806	632,347	-	-	-	-	632,347
United Way Allocations											
United Way of Greater McHenry County, Inc.	9,000	15,000	13,000	92,000	-	129,000	-	-	-	-	129,000
Client Fees	60,630	11,940	67,602	110,339	39,688	290,199	-	-	-	-	290,199
Returns and Allowances	(5,033)	(64,814)	(13,509)	(21,038)	-	(104,394)	-	-	-	-	(104,394)
Medicare Payments	-	25,157	-	46,011	-	71,168	-	-	-	-	71,168
Medicaid Payments	-	32,387	-	4,579	-	36,966	-	-	-	-	36,966
Secondary Insurance	-	43,307	-	31,697	-	75,004	363	-	-	363	75,367
Managed Care	96,036	204,277	9,655	53,608	26,123	389,699	-	-	-	-	389,699
Special Events	-	-	-	-	-	-	20,893	76,493	-	97,386	97,386
Return on Investment	-	-	-	-	-	-	113,454	-	-	113,454	113,454
Miscellaneous	-	345	-	255	1,972	2,572	233	-	-	233	2,805
Total Operating Revenues, Gains, and Other Support	\$ 427,015	\$ 723,871	\$ 313,204	\$ 367,931	\$ 399,161	\$ 2,231,182	\$ 322,684	\$ 76,493	\$ -	\$ 399,177	\$ 2,630,359
OPERATING EXPENSES											
Salaries	\$ 154,962	\$ 320,310	\$ 171,414	\$ 438,426	\$ 215,760	\$ 1,300,872	\$ 351,687	\$ 178,978	\$ -	\$ 530,665	\$ 1,831,537
Payroll Taxes	22,381	31,224	24,161	36,692	19,395	133,853	13,488	-	-	13,488	147,341
Retirement Plan	1,374	944	1,122	9,390	-	12,830	6,554	1,245	-	7,799	20,629
Other Employee Benefits	34,875	21,044	32,839	53,951	8,487	151,196	4,893	-	-	4,893	156,089
Advertising and Promotion	20	15	23	9	99	166	9,337	10,900	-	20,237	20,403
Amortization	-	-	-	-	-	-	527	-	-	527	527
Bad Debt	(4,992)	(6,240)	(4,635)	(1,960)	-	(17,827)	-	-	-	-	(17,827)
Client Meals	23,178	-	23,177	-	-	46,355	-	-	-	-	46,355
Client Transportation	1,856	-	1,857	-	42,064	45,777	-	-	-	-	45,777
Conferences, Conventions, and Meetings	5,284	5,348	7,005	2,912	253	20,802	741	22	-	763	21,565
Craft and Therapy Supplies	1,263	427	1,161	989	63	3,903	-	-	-	-	3,903
Depreciation	-	-	-	-	39,666	39,666	46,141	-	-	46,141	85,807
Dues, Licenses, and Subscriptions	4,309	2,556	5,064	1,289	-	13,218	111	135	-	246	13,464
Educational Supplies	-	57	-	-	-	57	337	1,005	-	1,342	1,399
Equipment	753	2,384	880	3,107	-	7,124	4,450	-	-	4,450	11,574
Food and Entertainment	-	-	-	-	-	-	-	-	8,697	8,697	8,697
Insurance	10,620	-	10,620	-	-	21,240	37,076	655	-	37,731	58,971
Interest Expense	6,819	4,958	8,885	-	-	20,662	594	-	-	594	21,256
Occupancy	7,292	6,553	9,501	10,327	-	33,673	2,143	-	14,205	16,348	50,021
Office Expense	11,000	9,160	13,762	11,648	270	45,840	4,897	1,483	-	6,380	52,220
Professional Fees	46,986	296,938	54,666	36,639	270	435,499	7,733	-	-	7,733	443,232
Repairs and Maintenance	19,219	14,335	24,612	20,940	19,548	98,654	12	-	-	12	98,666
Travel	352	4,400	395	4,465	-	9,612	270	-	-	270	9,882
Total Operating Expenses	\$ 347,551	\$ 714,413	\$ 386,509	\$ 628,824	\$ 345,875	\$ 2,423,172	\$ 490,991	\$ 194,423	\$ 22,902	\$ 708,316	\$ 3,131,488
EXCESS OF OPERATING REVENUES, GAINS, AND OTHER SUPPORT OVER/(UNDER) OPERATING EXPENSES AFTER ALLOCATION OF MANAGEMENT AND GENERAL AND FUNDRAISING EXPENSES	\$ 79,464	\$ 9,458	\$ (73,305)	\$ (260,893)	\$ 53,286	\$ (191,990)	\$ (168,307)	\$ (117,930)	\$ (22,902)	\$ (309,139)	\$ (501,129)

See Accompanying Independent Auditor's Report

INDEPENDENCE HEALTH AND THERAPY
SUMMARY OF GRANT, CONTRIBUTIONS, AND TAX REVENUE
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted Contributions	\$ 45,219	\$ -	\$ 45,219
Corporate and Foundation Grants and Contributions			
Alfred Bersted Foundation	\$ -	\$ 25,000	\$ 25,000
Crystal Lake Chamber	1,000	-	1,000
First Congregational Church	470	-	470
Foglia Family Foundation	50,000	-	50,000
Full Circle Foundation	-	20,000	20,000
Family Health Partnership Clinic	300	-	300
Hughes Family Fund	1,300	-	1,300
King of Clubs	287	-	287
Lake in the Hills Rotary	3,000	-	3,000
Leadership Greater McHenry County	-	4,160	4,160
Luis Meyer Family Foundation	1,000	-	1,000
McHenry County Community Foundation	10,000	-	10,000
Mental Health Resource League	14,971	-	14,971
Ridgefield Crystal Lake Presbyterian Church	1,000	-	1,000
Woodstock Rotary	750	-	750
Weiller Family Foundation	4,000	-	4,000
Willow Springs Foundation	75,000	-	75,000
Yager Family Fund	500	-	500
Youth and Family Center	3,500	-	3,500
Other - Donations	84	-	84
	<u>\$ 167,162</u>	<u>\$ 49,160</u>	<u>\$ 216,322</u>
Governmental Grants			
County 708 Grant	\$ 380,520	\$ -	\$ 380,520
United States Department of Health & Human Services	60,000	-	60,000
	<u>\$ 440,520</u>	<u>\$ -</u>	<u>\$ 440,520</u>
Governmental Fee for Service			
Illinois Department on Aging	\$ 108,645	\$ -	\$ 108,645
Illinois Department of Rehabilitation	36,942	-	36,942
Northeastern Illinois Area Agency on Aging	20,594	-	20,594
Veterans Administration	28,120	-	28,120
	<u>\$ 194,301</u>	<u>\$ -</u>	<u>\$ 194,301</u>
Tax Referendum			
McHenry County Senior Services Referendum	\$ 632,347	\$ -	\$ 632,347
United Way Allocations			
United Way of Greater McHenry County, Inc.	\$ 129,000	\$ -	\$ 129,000
	<u>\$ 129,000</u>	<u>\$ -</u>	<u>\$ 129,000</u>

See Accompanying Independent Auditor's Report