

Compassion Health Toledo

Financial Statements

December 31, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and the Board of Directors
Compassion Health Toledo
Toledo, Ohio

Opinion

We have audited the accompanying financial statements of Compassion Health Toledo (a nonprofit organization), which comprise the balance sheet as of December 31, 2022 and the related statement of operations, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compassion Health Toledo as of December 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Compassion Health Toledo 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Compassion Health Toledo's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted 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, including omissions, 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 generally accepted 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 Compassion Health Toe 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 Compassion Health Toledo's ability to continue as a going concern for a reasonable period of time.

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

Yeo & Yeo, P.C.

Ann Arbor, Michigan
July 18, 2023

Compassion Health Toledo
Balance Sheet
December 31, 2022

Assets	
Current assets	
Cash and cash equivalents	\$ 961,124
Patient accounts receivable	39,585
Grants and other receivables	22,084
Investments in marketable securities	13,131
Prepaid expenses and other	<u>10,384</u>
Total current assets	1,046,308
Property and equipment, net	<u>842,507</u>
Total assets	<u>\$ 1,888,815</u>
 Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 31,133
Accrued expenses	26,691
Other current liabilities	<u>581</u>
Total current liabilities	<u>58,405</u>
Net assets	
Without donor restrictions	1,745,585
With donor restrictions	<u>84,825</u>
Total net assets	<u>1,830,410</u>
Total liabilities and net assets	<u>\$ 1,888,815</u>

See Accompanying Notes to the Financial Statements

Compassion Health Toledo
Statement of Operations
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Patient services revenue	\$ 992,968	\$ -	\$ 992,968
Contributions	143,914	60,000	203,914
Federal and state grants and contracts	521,947	-	521,947
Contributed nonfinancial assets	1,002,088	-	1,002,088
Other revenue	11,730	-	11,730
	<u>2,672,647</u>	<u>60,000</u>	<u>2,732,647</u>
Expenses			
Program services	1,396,023	-	1,396,023
Management and general	284,065	-	284,065
	<u>1,680,088</u>	<u>-</u>	<u>1,680,088</u>
Change in net assets	992,559	60,000	1,052,559
Net assets - beginning of year	<u>753,026</u>	<u>24,825</u>	<u>777,851</u>
Net assets - end of year	<u>\$ 1,745,585</u>	<u>\$ 84,825</u>	<u>\$ 1,830,410</u>

See Accompanying Notes to the Financial Statements

Compassion Health Toledo
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and related costs			
Salaries and wages	\$ 995,072	\$ 110,564	\$ 1,105,635
Payroll taxes	68,906	7,656	76,562
Employee benefits	<u>37,173</u>	<u>4,130</u>	<u>41,303</u>
Total salaries and related costs	1,101,150	122,350	1,223,500
Contracted services	-	58,767	58,767
Supplies	133,842	44,614	178,456
Utilities	9,431	3,144	12,575
Office expenses	-	8,599	8,599
Information technology	4,552	1,517	6,069
Depreciation	12,203	4,068	16,271
Occupancy	87,772	29,258	117,030
Dues and subscriptions	7,205	2,402	9,607
Insurance	18,710	6,237	24,947
Direct assistance	11,831	-	11,831
Travel	1,309	436	1,745
Miscellaneous	4,919	1,640	6,559
Repairs and maintenance	<u>3,099</u>	<u>1,033</u>	<u>4,132</u>
Total expenses by function	<u>\$ 1,396,023</u>	<u>\$ 284,065</u>	<u>\$ 1,680,088</u>

See Accompanying Notes to the Financial Statements

Compassion Health Toledo
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities

Change in net assets	\$ 1,052,559
Items not requiring cash	
Depreciation	16,271
Net realized and unrealized gains on investments	(1,017)
Contributions of investments in marketable securities	(10,619)
Contributions of nonfinancial assets	(670,000)
Changes in operating assets and liabilities	
Patient accounts receivable	68,646
Grants and other receivables	(22,084)
Prepaid expenses and other	(1,839)
Accounts payable	26,862
Accrued expenses	9,917
Other current liabilities	<u>406</u>
Net cash provided by operating activities	469,102

Cash flows from investing activities

Purchases of property and equipment	<u>(29,260)</u>
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Net change in cash and cash equivalents	439,842
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Cash and cash equivalents - beginning of year	<u>521,282</u>
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Cash and cash equivalents - end of year	<u><u>\$ 961,124</u></u>
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Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Compassion Health Toledo (the "Organization") is an Ohio non-profit organization, incorporated in 2015, and based in Toledo, Ohio. The organization's mission is "To provide Christ-centered, integrated, affordable and quality health care to those who need it most."

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions are available for the use of the Board of Directors and/or members of management for general operations. Occasionally, the Board can reserve a portion of these funds for a specific purpose, thus converting funds from the unrestricted balance to the restricted balance.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. As of December 31, 2022 \$708,614 of cash and cash equivalents was in excess of the amount insured by the FDIC.

Revenue and Revenue Recognition

The Organization derives its patient service revenue from fees charged for encounters with individuals. Patient service revenue is recorded for each encounter at rates adjusted by what the Organization expects to collect from the client or third-party payer. When a client needs financial assistance and is not insured, the rates are determined by the client's ability to pay. Revenue is recognized when earned. Program fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other asset, an unconditional promise to give is received. Conditional promises are not recognized until the conditions on which they depend have been substantially met.

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Charity Care

The organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on household size and income information obtained from the patient and subsequent analysis. Since the Organization does not expect payment, estimated charges for charity care are not included in net revenue. Charity care was \$164,990 for the year ended December 31, 2022.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on length of service. Employees are allowed to accumulate sick leave indefinitely up to a maximum number of hours which vary by employee's length of service.

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

The expenses that are allocated include the following:

Expense	Method and Allocation
Salaries and benefits	Time and effort
Occupancy	Square footage
Professional Fees	Time and effort
Printing	Time and effort
Information technologies	Time and effort
Travel	Time and effort
Depreciation	Time and effort
Other	Time and effort

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through July 18, 2023, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standard

The Organization adopted FASB Topic, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, as of the beginning of the year ended December 31, 2022.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 961,124
Patient accounts receivable	39,585
Grants and other receivables	22,084
Investments	<u>13,131</u>
	1,035,924
With donor restrictions	<u>(84,825)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 951,099</u>

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due.

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Note 3 - Investments

Fair value of marketable equity securities at December 31, 2022 consist of:

	Fair Value
Available for sale	
Equity securities available for sale	\$ 13,131

All investments are level 1 inputs for fair value.

Note 4 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200 and various compliance requirements. The conditional contributions consisted of the following as of December 31:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Health Care Services	\$ 871,764	\$ 530,555	\$ 341,209

Note 5 - Patient Accounts Receivable

Accounts receivable consist of the following as of December 31, 2022:

	2022
Commercial and Other	\$ 5,749
Medicaid	16,089
Medicare	12,962
Self-Pay	4,785
	\$ 39,585

Note 6 - Property and Equipment, Net

Major classes of assets and accumulated depreciation are summarized as follows:

	2022
Furniture and equipment	\$ 56,649
Leasehold improvements	149,916
Office equipment	5,791
Construction in progress	699,890
	912,246
Accumulated depreciation	(69,739)
Property and equipment, net	\$ 842,507

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2022:

Subject to expenditure for specified purpose:

Restricted for equipment	\$ 18,538
Restricted for renovations	<u>66,287</u>
Total net assets with donor restrictions	<u>\$ 84,825</u>

Note 8 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended December 31, 2022:

Revenue from contracts with customers - Patient services	\$ 992,968
Contribution revenue	203,914
Federal and state grants and contracts (Contribution revenue)	521,947
Contributed non-financial assets	1,002,088
Other revenue	<u>11,730</u>
Total revenue	<u>\$ 2,732,647</u>

There was no bad debt expense as a result of impairment loss on receivables and contract with customers for the year ended December 31, 2022.

All revenue from contracts with customers is earned at a point in time.

Patient service revenues is reported at the amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of

audits, reviews, and investigations. Generally, the Organization bills patients and third-party payers several days after the services are performed. Revenues are recognized as performance obligations are satisfied. Revenue is recognized for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when the services are provided. The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's contracts, and implicit price concessions provided primarily to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is determined based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Gross charges are retail charges. They are not the same as actual pricing, and they generally do not reflect what the Organization is ultimately paid and, therefore, are not displayed in the statement of operations. The Organization is typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are what the Organization charges all patients prior to the application of discounts and allowances.

Revenues under the traditional fee-for-service Medicaid Wraparound programs are based on Medicaid encounters per month. The center is paid a set amount per encounter and submits these claims to Medicaid on a monthly basis which are paid immediately. The revenue is recognized at the date of the encounter completion and a receivable is set up until the payment is received.

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Under certain contracts, incentive payments are available to the Organization when they adopt, implement, or upgrade certified electronic health record (“EHR”) technology or become “meaningful users” as defined in ways that demonstrate improved quality, safety, and effectiveness of care. The Organization recognizes incentive payments as part of other revenue in the statement of operations for the first payment year when the specified meaningful use criteria are met and any contingencies in estimating the amount of the incentive payments to be received are resolved.

The Organization has various service contracts in which it must perform a defined scope of work per the contract. Revenue is recognized as performance obligations are satisfied. Revenue is recognized for performance obligations satisfied at a point in time when milestones or expenses are incurred for those contracts. The transaction price is determined by the amount set in the contract. Revenue received for which performance obligations have not been met is deferred until earned.

The following summarizes contract assets:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets			
Patient accounts receivable	<u>\$ 39,585</u>	<u>\$ 108,231</u>	<u>\$ 66,549</u>
Contract liabilities			
Deferred revenue	<u>\$ 406</u>	<u>\$ -</u>	<u>\$ -</u>

There were no changes in judgments related to revenue recognition for the years ended December 31, 2022.

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Note 9 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended December 31, 2022, were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Staff Donated professional services	\$ 167,280	General and administrative and medical services	No associated donor restrictions	Estimated cost of equivalent full time employees
Volunteer services	-	Management and oversight	No associated donor restrictions	Criteria for recording revenue are not met. Volunteer services consist of board members time. The organization has a total of 13 board members.
Vaccines	138,474	Community healthcare	No associated donor restrictions	Compassion Health Toledo used cost per dose times the total number of doses (Compassion Health Toledo tracks their vaccines) Compassion Health Toledo used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale.
Rent	26,334	Community healthcare	No associated donor restrictions	Valued using the square footage of the building (2,996 sq ft) times the market value. Donated rent is a related party donation that is received from a company for which a board member is a key employee.
Donated building	670,000	Community healthcare	No associated donor restrictions	In valuing the contributed building, which is located in Toledo Ohio, Compassion Health Toledo uses an appraisal report to value the building.
	<u>\$ 1,002,088</u>			

Compassion Health Toledo
Notes to the Financial Statements
December 31, 2022

Note 10 - Malpractice Liability

The organization is insured by a commercial insurance policy for malpractice claims occurring since the effective date of reorganization, July 31, 2017. Claimants for incidents before this date would be considered unsecured creditors and would not be payable by the Organization. The current policy has a \$1 million per incident and \$3 million aggregate claims-made policy.

Note 11 - Commitments and Contingencies

The Organization has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from federal, state, and local governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal, state, and local governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.