

**Compassion Health Toledo**

**Financial Statements**

**December 31, 2021**



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## Independent Accountants' Review Report

To the Board of Directors  
Compassion Health Toledo  
Toledo, Ohio

We have reviewed the accompanying financial statements of Compassion Health Toledo (a nonprofit organization), which comprise the balance sheet as of December 31, 2021, and the related statements of operations, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility 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; 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.

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Compassion Health Toledo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
August 30 ,2022

**Compassion Health Toledo**  
**Balance Sheet**  
**December 31, 2021**

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<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 521,282
Patient accounts receivable	108,231
Investments in marketable securities	1,495
Prepaid expenses and other	<u>8,545</u>
Total current assets	639,553
Property and equipment, net	<u>159,518</u>
<b>Total assets</b>	<b><u>\$ 799,071</u></b>
 <b>Liabilities and Net Assets</b>	
Current liabilities	
Accounts payable	\$ 4,271
Accrued expenses	16,774
Other current liabilities	<u>175</u>
Total current liabilities	<u>21,220</u>
Net assets	
Without donor restrictions	753,026
With donor restrictions	<u>24,825</u>
Total net assets	<u>777,851</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 799,071</u></b>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Compassion Health Toledo**  
**Statement of Operations**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>Revenue and support</b>			
Patient services revenue	\$ 378,470	\$ -	\$ 378,470
In kind donation - provider services	121,680	-	121,680
Contributions	89,405	5,250	94,655
Federal and state grants and contracts	295,539	-	295,539
Other revenue	37,863	-	37,863
Net assets released from restriction	17,886	(17,886)	-
	<u>940,843</u>	<u>(12,636)</u>	<u>928,207</u>
<b>Expenses</b>			
Program services	844,900	-	844,900
Management and general	155,610	-	155,610
Fundraising	1,711	-	1,711
	<u>1,002,221</u>	<u>-</u>	<u>1,002,221</u>
	(61,378)	(12,636)	(74,014)
Net assets - beginning of year, as restated	<u>814,404</u>	<u>37,461</u>	<u>851,865</u>
Net assets - end of year	<u>\$ 753,026</u>	<u>\$ 24,825</u>	<u>\$ 777,851</u>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Compassion Health Toledo**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related costs				
Salaries and wages	\$ 665,952	\$ 73,995	\$ -	\$ 739,947
Payroll taxes	43,147	4,794	-	47,941
Employee benefits	25,601	474	-	26,075
	<u>734,700</u>	<u>79,263</u>	<u>-</u>	<u>813,963</u>
Contracted services	-	34,381	-	34,381
Supplies	25,147	8,383	-	33,530
Utilities	4,427	1,476	-	5,903
Office expenses	-	6,654	250	6,904
Information technology	3,762	1,254	1,461	6,477
Depreciation	11,920	3,973	-	15,893
Occupancy	30,484	10,161	-	40,645
Dues and subscriptions	6,517	2,173	-	8,690
Insurance	19,166	6,389	-	25,555
Direct assistance	4,270	-	-	4,270
Travel	3,628	1,210	-	4,838
Miscellaneous	35	12	-	47
Repairs and maintenance	844	281	-	1,125
	<u>844,900</u>	<u>155,610</u>	<u>1,711</u>	<u>1,002,221</u>
Total expenses by function	<u>\$ 844,900</u>	<u>\$ 155,610</u>	<u>\$ 1,711</u>	<u>\$ 1,002,221</u>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Compassion Health Toledo**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

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**Cash flows from operating activities**

Change in net assets	\$	(74,014)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		15,893
Net realized and unrealized gains on investments		(336)
(Increase) decrease in:		
Patient accounts receivable		(41,682)
Grants and other receivables		23,813
Increase (decrease) in:		
Accounts payable		2,402
Accrued expenses		10,066
Other current liabilities		<u>(12,413)</u>
Net cash used by operating activities		(76,271)

**Cash flows from investing activities**

Payments for the purchase of property and equipment		<u>(2,505)</u>
Net change in cash and cash equivalents		<u>(78,776)</u>

Cash and cash equivalents - beginning of year		<u>596,287</u>
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<b>Cash and cash equivalents - end of year</b>	<b>\$</b>	<b><u>521,282</u></b>
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See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements



**Compassion Health Toledo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

Compassion Health Toledo (the "Organization") is a Ohio non-profit organization, incorporated in 2015, and based in Toledo, Ohio. The organizations 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, 2021 \$280,193 of cash and cash equivalents was in excess of the amount insured by the FDIC.

**Accounts Receivable**

The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, an allowance of \$192,375 was deemed necessary as of December 31, 2021. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Compassion Health Toledo**  
**Notes to the Financial Statements**  
**December 31, 2021**

**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
Healthcare services	\$ 564,737	\$ 134,560	\$ 480,177

**Property and Equipment**

The Organization follows the practice of capitalizing all expenditures in excess of \$2,500 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.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**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. In addition to a significant amount of volunteered services which do not meet the criteria to be recorded, provider services were provided to the Organization totaling \$121,680 for the year ended December 31, 2021

**Advertising**

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended December 31, 2021 was \$961.

**Compassion Health Toledo**  
**Notes to the Financial Statements**  
**December 31, 2021**

**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.

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 August 30, 2022, which is the date the financial statements were available to be issued.

**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, 2021:

Cash and cash equivalents	\$ 521,282
Patient accounts receivable	108,231
Investments	<u>1,495</u>
	631,008
With donor restrictions	<u>(24,825)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 606,183</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, 2021**

**Note 3 - Investments**

Fair value of marketable equity securities at December 31, 2021 consist of:

	Fair Value
Available for sale	
Equity securities available for sale	\$ 1,495

All investments are level 1 inputs for fair value.

**Note 4 - Property and Equipment, Net**

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

Furniture and equipment	\$ 56,650
Leasehold improvements	149,916
Office equipment	5,791
	212,357
 Accumulated depreciation	 (52,839)
 Property and equipment, net	 \$ 159,518

**Note 5 - Capital Lease**

The Organization leases of office equipment under capital leases expiring in various years through 2022. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments for the fair value of the asset. The assets are depreciated over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The following is a summary of property held under capital leases:

Copier	\$ 1,200
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Minimum future lease payments under capital leases as of December 31, 2021, were as follows:

2022	\$ 700
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**Note 6 - Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

Satisfaction of purpose restrictions	
Healthcare services	\$ (17,886)

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2021:

Subject to expenditure for specified purpose:	
Restricted for equipment	\$ 18,538
Restricted for renovations	6,287

Total net assets with donor restrictions	\$ 24,825
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**Compassion Health Toledo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 8 - Revenue from Contracts with Customers**

The following summarizes revenue by type for the year ended December 31, 2021:

Revenue from contracts with customers	\$ 419,945
Contribution revenue	94,655
Federal and State grants and contracts	295,339
In kind donation	121,680
Other revenue	<u>2,204</u>
Total revenue	<u>\$ 933,823</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, 2021

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 Clinic'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.

**Compassion Health Toledo**  
**Notes to the Financial Statements**  
**December 31, 2021**

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The Organization also contracts with third-party pharmacies to serve its patients using 340b pricing. Revenues are recognized as performance obligations are satisfied. Revenue is recognized for performance obligations satisfied at a point in time, which generally relate to the prescription being filled and delivered to the patient. The transaction price is determined by the difference between the retail drug pricing and 340b pricing, less the contracted third-party administrator fees. Some contract relationships report revenue after each sale, regardless of the number of prescriptions supplied from a bottle, while others report revenue when the drugs are physically replaced.

The following summarizes contract assets:

	December 31, 2021	January 1, 2021
Patient accounts receivable	\$ 108,231	\$ 66,549

There were no contract liabilities as of January 1, 2021, and December 31, 2021.

There were no changes in judgments related to revenue recognition for the years ended December 31, 2021.

**Note 9 - 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 10 - Prior Period Adjustment**

During review of capital assets, a duplicate accumulated depreciation account was discovered and corrected. Along with errors to depreciation calculations for additions during the year ended December 31, 2020. Construction in progress was also undepreciated with construction being completed in 2020. These errors have been corrected, restating beginning property and equipment from \$198,381 to \$172,907. Total amount of adjustment is \$25,474 and net assets changed from \$877,339 to \$851,865.

**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.