



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Charitable Healthcare Network, Inc.

Financial Statements

December 31, 2021 and 2020

with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Charitable Healthcare Network, Inc.
Columbus, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Charitable Healthcare Network, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Charitable Healthcare Network, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Charitable Healthcare Network, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Charitable Healthcare Network, Inc.'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 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 Charitable Healthcare Network, Inc.'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 Charitable Healthcare Network, Inc.'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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 23, 2022

Charitable Healthcare Network, Inc.
 Statements of Financial Position
 December 31, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 206,652	532,735
Accounts receivable	187,000	243,125
Prepaid expenses	<u>16,929</u>	<u>6,397</u>
Total current assets	410,581	782,257
Furniture and equipment, net	<u>9,094</u>	<u>8,103</u>
Total assets	\$ <u>419,675</u>	<u>790,360</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 159,192	461,572
Payroll and payroll related liabilities	7,835	3,724
Unearned revenue	1,031	-
Refundable advance	<u>-</u>	<u>1,838</u>
Total current liabilities	168,058	467,134
Net assets:		
Without donor restrictions	<u>251,617</u>	<u>323,226</u>
Total liabilities and net assets	\$ <u>419,675</u>	<u>790,360</u>

See accompanying notes to the financial statements.

Charitable Healthcare Network, Inc.
 Statements of Activities
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Ohio Department of Health - Uninsured Care Grant	\$ 1,125,250	1,812,500
Grant revenue	36,492	25,000
Contributions	4,840	10,292
Annual conference	22,855	18,333
Membership dues	28,916	25,200
Paycheck Protection Program	-	25,062
Other income	418	-
Interest income	48	93
Total revenues	<u>1,218,819</u>	<u>1,916,480</u>
Expenses:		
Program services	1,182,534	1,705,043
Management and general	100,385	95,472
Fundraising	<u>7,509</u>	<u>6,483</u>
Total expenses	<u>1,290,428</u>	<u>1,806,998</u>
Change in net assets without donor restrictions	(71,609)	109,482
Net assets without donor restrictions, beginning of year	<u>323,226</u>	<u>213,744</u>
Net assets without donor restrictions, end of year	<u>\$ 251,617</u>	<u>323,226</u>

See accompanying notes to the financial statements.

Charitable Healthcare Network, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (71,609)	109,482
Changes to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,609	1,956
Effects of change in operating assets and liabilities:		
Accounts receivable	56,125	193,125
Prepaid expenses	(10,532)	(6,087)
Accounts payable	(302,380)	106,793
Payroll and payroll related liabilities	4,111	(926)
Unearned revenue	1,031	-
Refundable advance	(1,838)	1,838
Net cash flows from operating activities	(322,483)	406,181
Cash flows from investing activities:		
Purchases of furniture and equipment	(3,600)	(7,096)
Net cash flows from investing activities	(3,600)	(7,096)
Net change in cash and cash equivalents	(326,083)	399,085
Cash and cash equivalents, beginning of year	532,735	133,650
Cash and cash equivalents, end of year	\$ 206,652	532,735
Non cash investing activity:		
Disposal of property and equipment		
Furniture and equipment disposed	\$ -	5,001
Accumulated depreciation	\$ -	(5,001)

See accompanying notes to the financial statements.

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Charitable Healthcare Network, Inc. (the Association) are set forth to facilitate the understanding of data presented in the financial statements.

Organization and operations

Charitable Healthcare Network, Inc. (formally known as Ohio Association of Free Clinics) is a not-for-profit Ohio corporation established to be the voice and connector for members by providing resources, education and advocacy to strengthen and ensure high quality health care for people who are vulnerable. The Association's programs are to improve access to health care for the uninsured and underinsured people of Ohio, to strengthen the capacity of Ohio's free clinics, to increase public awareness of the contributions of free clinics, to build a network among free clinics, and to develop a governmental affairs program in order to advocate for free clinics and the people they serve. The Association is located in Columbus, Ohio and operates primarily within the boundaries of the State of Ohio. The Association is supported primarily through a grant from the Ohio Department of Health, public contributions, and membership dues. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Basis of accounting

The financial statements for the Association have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Basis of presentation

Under U.S. GAAP, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, defined as follows:

Net assets without donor restrictions consists of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net assets with donor restrictions consists of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. At December 31, 2021 and 2020, the Association had no net assets with donor restrictions.

Cash and cash equivalents

For the purposes of reporting cash flows, cash and cash equivalents includes all unrestricted demand deposits, money market funds, repurchase agreements, and highly liquid unrestricted investments with original maturities of three months or less.

Accounts receivable

Accounts receivable represents grant funds earned but not yet collected. No provision has been made for uncollectible accounts, as management considers all accounts to be currently collectible. Uncollectible accounts are expensed on an individual basis when they are deemed to no longer be collectible.

Furniture and equipment

The Association capitalizes expenditures of furniture and equipment in excess of \$1,000. The assets are recorded at cost if purchased and fair value when donated. Depreciation is applied using the straight-line method over the estimated useful lives of the assets, which is five years. Depreciation expense for the years ended December 31, 2021 and 2020 was \$2,609 and \$1,956, respectively.

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.

Revenue recognition

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as increases in net assets without donor restrictions unless specifically restricted by a donor. Amounts received that are designated for specific purposes are reported as increases in net assets with donor restrictions. When a donor restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are met. Unconditional promises to give, due in subsequent years, are reported at present value net of estimated uncollectible pledges.

Contract Revenue

Contract revenue is primarily derived from the sale of memberships to free clinics located in the state of Ohio. Membership dues are recognized throughout the membership period as member benefits are received and consumed during the membership period. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Association expects to be entitled in exchange for providing membership benefits. The Association does not have any significant financing components as payment is received at or shortly after the membership contract is initiated. The Association has no contract revenue that is recognized at a point in time.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. When identifiable, costs are charged directly to the program for which they are incurred. Costs that benefit more than one program are allocated among those programs based on management's estimates of time spent by personnel on programs, management and general and fundraising. Salaries and wages, payroll taxes and benefits, contract services, depreciation, and printing and reproduction are allocated based on time and effort. Rent is allocated based on square footage.

Donated services

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. During 2021 and 2020, volunteers provided significant services that were not recognized as contributions in the financial statements since the aforementioned criteria was not met.

Income taxes and uncertain tax positions

Charitable Healthcare Network, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Association has determined it does not have unrelated business income subject to taxation.

2. OHIO DEPARTMENT OF HEALTH GRANT AND CLINIC DISTRIBUTIONS:

For the years ended December 31, 2021 and 2020, the Ohio Department of Health (ODH) granted \$1,125,250 and \$1,812,500, respectively, to the Association. At December 31, 2021 and 2020, ODH owed the Association \$187,000 and \$218,125, respectively. ODH specified that the Association is to distribute the funds to Ohio free clinics, that are members of the Association, using a methodology determined by the Association and approved by ODH. The Association retains an amount for the administrative services performed and is responsible to distribute, administer, and audit funds provided to the free clinics. The funds are to be used to provide direct health care services for pregnant women and children, as well as, people with hypertension, diabetes and tobacco related illness that lack health insurance and receive health care services at the free clinics. Funds were also distributed in 2021 and 2020 for development grants to the clinics. For the years ended December 31, 2021 and 2020, payments to member clinics for the Uninsured Care Program were \$935,199 and \$1,526,271, respectively. At December 31, 2021 and 2020, distributions due to member clinics of \$158,750 and \$457,233, respectively, were included in accounts payable on the statements of financial position.

3. FURNITURE AND EQUIPMENT:

Furniture and equipment consisted of the following at December 31:

	2021	2020
Equipment	\$ 22,975	19,375
Furniture	390	390
	23,365	19,765
Accumulated depreciation	(14,271)	(11,662)
Furniture and equipment, net	\$ 9,094	8,103

4. CONCENTRATION:

Approximately 92% and 95% of the Association's gross revenue is derived from a grant with the Ohio Department of Health for the years ended December 31, 2021 and 2020, respectively. The current level of the Association's operations and program services may be impacted, or segments discontinued, if the funding is not renewed.

5. LEASE COMMITMENTS:

The Association leased office facilities under an operating lease with an unrelated party through April 30, 2020, which required monthly lease payments of \$2,015 beginning July 2017. During 2020, a new operating lease was signed with an unrelated party through April 30, 2025, which requires monthly lease payments of \$1,890 through April 2021, \$1,940 from May 2021 through April 2022, \$1,990 from May 2022 through April 2023, \$2,040 from May 2023 through April 2024, and \$2,090 beginning May 2024. Rental expense under all operating leases for the years ended December 31, 2021 and 2020, was \$23,659 and \$24,342, respectively.

6. AVAILABILITY OF FINANCIAL ASSETS:

The Association is primarily supported by grant revenue received from the Ohio Department of Health, of which, eighty-five percent is distributed to free clinics around the State of Ohio for providing care to the uninsured. The Association also receives various federal and state grants, membership dues, and public contributions to support operations. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31, 2021 and 2020:

	2021	2020
Financial assets:		
Cash	\$ 206,652	532,735
Accounts receivable	187,000	243,125
Financial assets available to meet cash needs for general expenditures within one year	\$ 393,652	775,860

7. PAYCHECK PROTECTION PROGRAM:

The Association was granted a \$26,900 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Association initially recorded the loan as a refundable advance and subsequently recognized income in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 Government Grant Model. This guidance recognizes revenue as the qualifying PPP expenses are incurred and the conditions for a right of return of the PPP loan have been satisfied. The Association has recognized \$25,062 as Paycheck Protection Program revenue for the year ended December 31, 2020. The remaining \$1,838 was repaid in 2021.

8. RISKS AND UNCERTAINTIES:

The COVID-19 outbreak is having a significant impact on global markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time.

9. UPCOMING ACCOUNTING PRONOUNCEMENTS:

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for the year ending December 31, 2022.

The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

10. SUBSEQUENT EVENTS:

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 23, 2022, the date which the financial statements were available to be issued.

In May 2021, a charitable gift agreement, from an estate was filed with the Stark County, Ohio Probate Court named the Association as a donee. The Association considers the charitable gift as conditional and will be recognized as revenue when the estate is finalized by the Probate Court. The Probate Court finalized the charitable gift agreement in 2022 and the Association received \$6,643,282 from the estate in March of 2022.