

HEALTHFINDERS COLLABORATIVE

Financial Statements

September 30, 2023



HEALTHFINDERS COLLABORATIVE

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-19



600 INWOOD AVENUE NORTH
SUITE 160
OAKDALE, MN 55128
TEL: (651) 636-3806
FAX: (651) 636-1136
www.akinshenke.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
HealthFinders Collaborative
Northfield, Minnesota

We have audited the accompanying financial statements of HealthFinders Collaborative (a nonprofit organization), which comprise the statement of financial position as of September 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 financial statements referred to above present fairly, in all material respects, the financial position of HealthFinders Collaborative as of September 30, 2023, and the changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HealthFinders Collaborative 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 HealthFinders Collaborative's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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.

INDEPENDENT AUDITOR’S REPORT, continued

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 HealthFinders Collaborative’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 HealthFinders Collaborative’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.

Report on Summarized Comparative Information

We have previously audited HealthFinders Collaborative’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, except as noted below, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in note 15 to the financial statements, the fiscal year 2022 financial statements have been restated to correct material misstatements. Our opinion is not modified with respect to this matter.

March 4, 2024

Akins Henke and Company

HEALTHFINDERS COLLABORATIVE

Statements of Financial Position

September 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 259,909	997,834
Accounts receivable, net	92,814	38,863
Contributions receivable	277,075	407,137
Prepaid expenses	13,784	18,628
Total current assets	<u>643,582</u>	<u>1,462,462</u>
Investments	495,114	450,774
Contributions receivable	29,390	69,959
Right of use asset - operating lease	7,512	-
Property, equipment and leasehold improvements, net	<u>1,795,347</u>	<u>1,878,704</u>
 TOTAL ASSETS	 \$ <u><u>2,970,945</u></u>	 <u><u>3,861,899</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 100,004	48,501
Accrued compensation	116,309	98,300
Accrued interest	5,140	5,324
Refundable advance	-	165,251
Line of credit	717	-
Note payable	43,139	40,534
Operating lease liability	7,512	-
Total current liabilities	<u>272,821</u>	<u>357,910</u>
Note payable	<u>1,093,595</u>	<u>1,136,733</u>
Total liabilities	<u><u>1,366,416</u></u>	<u><u>1,494,643</u></u>
Net assets:		
Without donor restrictions	1,497,453	1,965,314
With donor restrictions	<u>107,076</u>	<u>401,942</u>
Total net assets	<u><u>1,604,529</u></u>	<u><u>2,367,256</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>2,970,945</u></u>	 <u><u>3,861,899</u></u>

See accompanying notes to the financial statements.

HEALTHFINDERS COLLABORATIVE

Statement of Activities
For the Year Ended September 30, 2023
With Comparative Totals for 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
SUPPORT AND REVENUE				
Individual contributions	\$ 188,199	-	188,199	237,704
Corporate and foundation contributions	501,826	15,500	517,326	913,083
Campaign contributions	14,337	-	14,337	14,147
Contributed goods and services	773,655	-	773,655	550,199
Government grants	790,040	-	790,040	1,157,894
Program service fees	66,564	-	66,564	37,500
Medical, dental and behavioral services, net of insurance adjustments of \$70,708 for 2023 and \$68,590 for 2022	258,502	-	258,502	176,593
Total contributions and program fees	<u>2,593,123</u>	<u>15,500</u>	<u>2,608,623</u>	<u>3,087,120</u>
Event revenue	174,657	-	174,657	185,224
Less cost of direct benefits to donors	(11,306)	-	(11,306)	(6,623)
Total event	<u>163,351</u>	<u>-</u>	<u>163,351</u>	<u>178,601</u>
Investment income (loss), net	49,650	-	49,650	(95,672)
Other income	-	-	-	18,301
Loss on disposal of equipment	-	-	-	(2,567)
Total Support and Revenue	<u>2,806,124</u>	<u>15,500</u>	<u>2,821,624</u>	<u>3,185,783</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Restrictions satisfied	<u>310,366</u>	<u>(310,366)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	2,854,045	-	2,854,045	2,486,874
Supporting services:				
Management and general	437,216	-	437,216	351,141
Fundraising	293,090	-	293,090	177,855
Total Expenses	<u>3,584,351</u>	<u>-</u>	<u>3,584,351</u>	<u>3,015,870</u>
CHANGE IN NET ASSETS BEFORE ACQUISITION CONTRIBUTION	<u>(467,861)</u>	<u>(294,866)</u>	<u>(762,727)</u>	<u>169,913</u>
Acquisition Contribution from Free Clinic of Steele County	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,761</u>
CHANGE IN NET ASSETS	<u>(467,861)</u>	<u>(294,866)</u>	<u>(762,727)</u>	<u>324,674</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,965,314</u>	<u>401,942</u>	<u>2,367,256</u>	<u>2,042,582</u>
NET ASSETS - END OF YEAR	<u>\$ 1,497,453</u>	<u>107,076</u>	<u>1,604,529</u>	<u>2,367,256</u>

See accompanying notes to the financial statements.

HEALTHFINDERS COLLABORATIVE

Statement of Functional Expenses
For the Year Ended September 30, 2023
With Comparative Totals for 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2023</u>	<u>Total 2022</u>
Salaries	\$ 1,168,938	216,788	144,289	1,530,015	1,299,515
Payroll taxes	89,343	16,569	11,028	116,940	101,406
Employee benefits	46,136	8,556	5,695	60,387	54,775
Total personnel costs	<u>1,304,417</u>	<u>241,913</u>	<u>161,012</u>	<u>1,707,342</u>	<u>1,455,696</u>
Medical, dental, and wellness supplies	373,620	-	-	373,620	293,270
Professional medical and dental services	683,055	-	-	683,055	459,770
Contract services	29,754	-	-	29,754	120,067
Professional fees	53,826	129,781	63,063	246,670	172,677
Dues and fees	3,446	3,446	766	7,658	11,722
Insurance	20,908	3,878	2,581	27,367	26,889
Occupancy	121,157	22,469	14,955	158,581	149,615
Depreciation	96,813	17,955	11,950	126,718	115,716
Telephone and internet	13,044	2,419	1,610	17,073	38,015
Events	-	-	21,760	21,760	18,070
Conferences and training	16,187	3,002	1,998	21,187	21,610
Printing and mailing	6,127	205	6,128	12,460	21,306
Interest	50,425	9,352	6,224	66,001	68,405
Bad debt expense	78,724	-	12,349	91,073	40,781
Miscellaneous	2,542	2,796	-	5,338	8,884
Total expenses	<u>2,854,045</u>	<u>437,216</u>	<u>304,396</u>	<u>3,595,657</u>	<u>3,022,493</u>
Less: expenses netted against revenues on the statement of activities:					
Special event expenses	<u>-</u>	<u>-</u>	<u>(11,306)</u>	<u>(11,306)</u>	<u>(6,623)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 2,854,045</u>	<u>437,216</u>	<u>293,090</u>	<u>3,584,351</u>	<u>3,015,870</u>

See accompanying notes to the financial statements.

HEALTHFINDERS COLLABORATIVE
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (762,727)	324,674
Adjustments to reconcile change in net assets from operating activities:		
Depreciation	126,718	115,716
Loss on disposal of equipment	-	2,567
Bad debt expense	91,073	40,781
Paycheck Protection Program loan forgiveness	-	(204,900)
Donated equipment and building improvements	-	(53,572)
Realized and unrealized (gains) losses on investments	(50,416)	107,043
Changes in current assets and liabilities:		
Increase in accounts receivable	(145,024)	(16,878)
Decrease in contributions receivable	170,631	149,814
Decrease in prepaid expenses	4,844	6,774
Decrease in right of use asset - operating lease	17,570	-
Increase (decrease) in accounts payable	51,503	(34,796)
Increase in accrued compensation	18,009	26,768
Decrease in accrued interest	(184)	(175)
Increase (decrease) in refundable advance	(165,251)	2,370
Decrease in operating lease liability	(17,570)	-
Net cash provided by (used for) operating activities	(660,824)	466,186
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	605,814	2,979
Purchase of investments	(599,738)	(111,277)
Purchase of property and equipment	(43,361)	(98,033)
Net cash used for investing activities	(37,285)	(206,331)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on note payable	(41,013)	(38,838)
Amortization of loan costs	480	480
Borrowings on line of credit	144,400	-
Repayments on line of credit	(143,683)	-
Net cash used for financing activities	(39,816)	(38,358)
NET INCREASE (DECREASE) IN CASH	(737,925)	221,497
CASH - BEGINNING OF YEAR	997,834	776,337
CASH - END OF YEAR	\$ 259,909	997,834

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest in fiscal year 2023 and 2022 was \$65,705 and \$68,580, respectively.

See accompanying notes to the financial statements.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

HealthFinders Collaborative (the Organization) provides a comprehensive and individualized access point to health and wellness opportunities. Our primary care services address immediate and ongoing needs, while an extensive patient advocacy program actively connects individuals with long-term resources and community programs. The Organization works to be an access point to anyone looking to get healthy in greater Rice County.

Adoption of New Accounting Standards

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of October 1, 2022, by applying the modified retrospective transition approach. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets was necessary as of October 1, 2022. A cumulative effect adjustment was not required.

The most significant effects of adopting FASB ASC 842 were the recognition of a \$25,081 operating lease right of use asset and related operating lease liability as of October 1, 2022. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the years ended September 30, 2023 and 2022.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Without donor restrictions – represent the portion of net assets that are not subject to donor restriction and in which management and the Board of Directors have discretion as to use.

With donor restrictions – represent the portion of net assets that arise from contributions that are restricted by donors for specific purposes or time periods, or to be retained in perpetuity for specific purposes as determined by the donor.

Revenue and Support

The Organization recognizes contributions when cash, securities, unconditional contributions receivable, or other assets are committed by the donor. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Conditional contributions - 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 have been met.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Revenue and Support, (continued)

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as support with donor restrictions and then released from restriction.

Government grants represent grants received by the Organization from the State of Minnesota and other counties, grants received through Employee Retention Credits (ERC) and loans forgiven through the Paycheck Protection Program (PPP). Grants from the State of Minnesota and other counties are recorded as revenue as qualifying expenditures are incurred by the Organization. The grants for ERC funds are recorded as revenue when the Organization applied for the ERC. Loans forgiven through PPP are recorded as revenue when the loans are forgiven by the Small Business Administration. ERC funds received in fiscal year 2022 were \$224,632. Loans forgiven through PPP in fiscal year 2022 were \$204,900. There were no ERC or PPP revenue recognized in fiscal year 2023.

Certain grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at September 30, 2023 and 2022, contributions of \$2,097,656 and \$606,454, respectively, have not been recognized in the accompanying financial statements because the conditions have not been met.

Donated goods and services are recognized as contributions if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Donated goods and services are valued at fair value at the date of donation. A number of volunteers have made significant donations of their time to the Organization's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Program service fees represent payments from contracts with other organizations and agencies to provide health and wellness opportunities to individuals in need and are recorded as revenue at the point in time the Organization provides the services.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Medical, Dental and Behavioral Services

The Organization provides medical, dental and behavioral to individuals in need. For low-income individuals without insurance, the Organization bills the individuals directly using a sliding scale based on their income level and records the services as revenue at the discounted rate at the time the service is provided. It is the policy of the Organization to not subject such individuals to any collection process. For low-income individuals who have coverage through insurance or a government plan, the Organization bills the insurance companies or government programs. Such billings are recorded as revenue at the time the service is provided, less the amounts disallowed or estimated to be disallowed by insurance or government program. Low-income individuals are not required to pay for any amounts disallowed.

Contributions Receivable

Unconditional contributions receivable expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable expected to be collected in excess of one year are recorded at net present value using a discount rate commensurate with the risk associated with the contribution receivable. Conditional contributions receivable are recognized as an asset when the conditions on which they depend are substantially met. Management performs periodic reviews of the contributions receivable for past due amounts, determines the collectability of these amounts, and establishes allowances accordingly.

Accounts Receivable

Accounts receivable are from contracts with customers, are due from individuals and insurance companies, and are recorded net of any allowance for doubtful accounts. Management performs periodic reviews of the receivables for past due amounts, determines the collectability of these amounts, and establishes allowances accordingly. Accounts over one year old are removed from accounts receivable. At September 30, 2023 and 2022, the Organization recorded an allowance for doubtful accounts receivable for \$90,750 and \$68,555, respectively.

Cash

Cash is defined as cash in checking, savings, and cash on hand. The Organization maintains bank accounts at a financial institution which is insured by the Federal Deposit Insurance Corporation for up to \$250,000. At September 30, 2022, there was approximately \$726,000 of uninsured cash. There was no uninsured cash as of September 30, 2023.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Investments

Investments are comprised of cash deposits, which are recorded at cost, and mutual funds/exchange traded funds, which are recorded at fair value. Fair value is the price that would be received to sell an asset in orderly transaction between market participants at the measurement date. Net investment income is reported in the statement of activities and consists of interest and dividend income, capital gain distributions, realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends are recorded when earned, realized gains and losses related to sales of investments are recorded on a trade-date basis, and unrealized gains and losses are recorded based on the fair value of the investment. Net investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or laws. These investments are exposed to various risks, such as interest rate, market, and credit risks.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements in excess of \$1,500 are capitalized at cost. Contributed property, equipment and leasehold improvements are recorded at fair value at the date of donation. Depreciation is not calculated on land. Depreciation is provided using the straight-line method over the following lives:

Equipment	5-7 years
Leasehold improvements	5-15 years
Building and improvements	15-39 years

Loan Costs

The Organization capitalizes loan closing costs and amortizes the costs over the life of the loan. Amortization relating to the loan closing costs are recorded in interest expense on the statement of activities. The loan closing costs net of amortization are netted against the note payable on the statement of financial position.

Total capitalized loan costs were \$9,602 as of September 30, 2023 and 2022, respectively. Amortization relating to these loan closing costs was \$480 for both fiscal year 2023 and 2022. Accumulated amortization as of September 30, 2023 and 2022 was \$1,986 and \$1,506, respectively.

Concentrations of Revenue

During fiscal year 2023, approximately 36% of the Organization's revenue came from two funding sources. During fiscal year 2022, approximately 33% of the Organization's revenue came from two funding sources.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Concentrations of Credit Risk Due to Contributions Receivable and Accounts Receivable

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable and contributions receivable. Management believes concentrations of credit risk with respect to these receivables are limited due to their nature. As of September 30, 2023 and 2022, management believes the Organization had no significant concentrations of credit risk.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization determines if an arrangement is a lease, or contains a lease, at the inception of a contract and when the terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all the economic benefits and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right of use asset at the commencement date of the lease.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments are re-measured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the lease terms, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate used is the rate implicit in the lease agreement if it is readily determinable, and if no rate is implicit in the lease agreement, the Organization's incremental borrowing rate is to be used.

A right of use asset is measured at the commencement date at the amount of the initially measured lease liability plus any lease payments made to the lessor before commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the right of use asset is subsequently measured throughout the lease term at the amount of the lease liability less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected for all underlying classes of assets, to not recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization has also elected to not separate non-lease components from lease components, and instead accounts for them as a single lease component.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Functional Allocation of Expense

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributable to more than one program or supporting function. Accordingly, certain expenses require allocation on a reasonable basis that is consistently applied. Personnel costs, insurance, occupancy, depreciation, telephone and internet, conferences and training, and interest expenses are allocated based upon staff job duties and their related time and efforts.

Tax Status

The Organization has tax exempt status under Section 501(c)(3) of the Internal Revenue Code and corresponding state tax codes. The Organization is not a private foundation and charitable contributions by donors are tax deductible. U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total, but not by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Reclassification

Certain 2022 amounts have been reclassified for comparability purposes with those of 2023.

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through March 4, 2024, the date which the financial statements were available for issue.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(2) LIQUIDITY AND FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and structures its financial assets for availability as its general expenditures, liabilities, and other obligations come due. In the event of immediate liquidity needs, the Organization has a committed line of credit in the amount of \$100,000. The Organization manages its liquidity by investing excess cash in longer-term investments which can be liquidated within one week.

The following table reflects the Organization's financial assets as of September 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the date of the statement of financial position.

	<u>2023</u>	<u>2022</u>
Cash	\$ 259,909	997,834
Accounts receivable	92,814	38,863
Contributions receivable	306,465	477,096
Investments	<u>495,114</u>	<u>450,774</u>
Total financial assets	1,154,302	1,964,567
Less amounts not available to be used within one year:		
Donor restricted for time	(29,390)	(69,959)
Financial assets available within one year to meet cash needs for general expenditures	\$ <u>1,124,912</u>	<u>1,894,608</u>

(3) CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at September 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in less than one year	\$ 277,075	407,137
Amounts due in one to five years	36,960	82,830
Less discount to net present value	(7,570)	(12,871)
Net contributions receivable	\$ <u>306,465</u>	<u>477,096</u>

The Organization used a discount rate of 8.50% and 6.25%, respectively for fiscal year 2023 and 2022, to determine the net present value of the long-term contributions receivable.

(4) INVESTMENTS

Investments consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Exchange traded funds	\$ 445,247	411,378
Mutual funds	32,395	27,634
Money market	9,570	-
Cash	<u>7,902</u>	<u>11,762</u>
Total	\$ <u>495,114</u>	<u>450,774</u>

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(5) FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets, such as the New York Stock Exchange.
- Level 2 assets and liabilities are valued using inputs other than unadjusted quoted prices included in Level 1 that are observable either directly or indirectly for the assets or liability. The Organization has no Level 2 assets or liabilities.
- Level 3 assets and liabilities are valued using pricing inputs which are unobservable for the asset or liability. The Organization has no Level 3 assets or liabilities.

Fair values of assets measured on a recurring basis at September 30, 2023 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money Market	\$ 9,570	-	-	9,570
Exchange traded funds	445,247	-	-	445,247
Mutual funds	<u>32,395</u>	<u>-</u>	<u>-</u>	<u>32,395</u>
	<u>\$ 487,212</u>	<u>-</u>	<u>-</u>	<u>487,212</u>
			Investments measured at cost	<u>7,902</u>
			Total investments	<u>\$ 495,114</u>

Fair values of assets measured on a recurring basis at September 30, 2022 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Exchange traded funds	\$ 411,378	-	-	411,378
Mutual funds	<u>27,634</u>	<u>-</u>	<u>-</u>	<u>27,634</u>
	<u>\$ 439,012</u>	<u>-</u>	<u>-</u>	<u>439,012</u>
			Investments measured at cost	<u>11,762</u>
			Total investments	<u>\$ 450,774</u>

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted for the following purposes as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
Continuing education	\$ -	20,000
Mental health services	<u>-</u>	<u>109,603</u>
	<u>-</u>	<u>129,603</u>
Subject to the passage of time:		
Contributions receivable to be received for future operating expenses	<u>107,076</u>	<u>272,339</u>
Total net assets with donor restrictions	\$ <u>107,076</u>	<u>401,942</u>

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose, by occurrence of the passage of time, or other events specified by the donors. Net assets released from restriction were comprised of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Mental health services	\$ 109,603	90,397
Continuing education	20,000	-
Gala space	-	2,000
Expiration of time restriction	<u>180,763</u>	<u>267,390</u>
Total net assets released from restrictions	\$ <u>310,366</u>	<u>359,787</u>

(7) PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 76,753	76,753
Equipment	573,859	530,498
Land	156,400	156,400
Building and improvements	<u>1,579,433</u>	<u>1,579,433</u>
	2,386,445	2,343,084
Less: Accumulated depreciation	<u>(591,098)</u>	<u>(464,380)</u>
Total	\$ <u>1,795,347</u>	<u>1,878,704</u>

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(8) CONTRIBUTED GOODS AND SERVICES

Contributed goods and services for fiscal years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Medical and dental supplies and lab services	\$ 555,361	290,795
Donated professional fees	127,694	168,804
Donated office space	<u>90,600</u>	<u>90,600</u>
Total	\$ <u>773,655</u>	<u>550,199</u>

The Organization recognized nonfinancial assets as revenue, including medical and dental supplies and lab services, professional medical and dental practitioner services, and office space. The contributed nonfinancial assets did not have any donor-imposed restrictions and the Organization does not monetize the nonfinancial assets.

Donated medical and dental supplies and lab services are used in providing health and dental services to the clients of the Organization. In valuing the medical and dental supplies and lab services, the Organization estimates the fair value based on service statements provided by the local healthcare providers.

Donated professional fees consist of donated time from doctors, dentists, nurses, and interpreters who treat and work with the patients of the Organization. The Organization estimates the fair value of the professional fees by using compensation research studies in the state of Minnesota for pay related to these professions.

Donated office space is used by the Organization for programming and administrative space. The Organization estimates the fair value of the donated space to be \$18 per square foot based upon comparison to the market rate for similar rented spaces in Minnesota.

(9) LEASES

The Organization has an obligation as a lessee for office space in one location, with an initial noncancelable term in excess of one year. The office space lease had an initial term of four years and two options to renew the lease for another two years. It was probable that the first option to renew would be exercised and not probable that the second renewal term would be exercised. As a result, the lease term is 6 years. The Organization has classified this lease as an operating lease. The Organization's lease does not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants.

Payments due under these leases are fixed payments of \$1,600 per month over the term of the lease. The Organization used a discount rate of 6.5%, which is commensurate with its borrowing rate at the date of implementation, to determine the lease liability and related right of use asset.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(9) LEASES, (continued)

Operating lease costs were recorded in occupancy expense on the statement of functional expenses as follows for fiscal year 2023 and 2022:

Paid by the Organization	\$ 19,200
Contributed rent	<u>90,600</u>
	\$ <u>109,800</u>

Maturities of operating lease liabilities as of September 30, 2023 were as follows:

	<u>2023</u>
Fiscal year 2024	\$ 8,000
Less present value adjustment	(488)
Present value of lease liabilities	\$ <u>7,512</u>

(10) NOTE PAYABLE

The Organization's notes payable are as follows:

	<u>2023</u>	<u>2022</u>
Fixed rate note dated May 1, 2019 that bears interest at a rate of 5.39% and has a rate adjustment on May 1, 2024. Monthly principal and interest payments are \$8,731, with a maturity date of May 1, 2029. Any unpaid principal and interest are due at maturity. The note is secured by a mortgage on the property and all assets of the Organization.	\$ 1,144,350	1,185,363
Unamortized loan costs	(<u>7,616</u>)	(<u>8,096</u>)
	\$ <u>1,136,734</u>	\$ <u>1,177,267</u>

Future principal payments on the note payable are as follows:

Fiscal year 2024	\$ 43,139
Fiscal year 2025	45,729
Fiscal year 2026	48,292
Fiscal year 2027	50,959
Thereafter	<u>956,231</u>
Total	\$ <u>1,144,350</u>

(11) LINE OF CREDIT

The Organization has a line of credit with a limit of \$100,000. The line of credit was amended in fiscal year 2023 to extend the maturity date to May 1, 2024. The line of credit has a variable interest rate of prime plus 1% with a minimum rate of 7.50%. The interest rate at September 30, 2023 and 2022 was 9.0% and 8.20%, respectively. Interest is paid monthly, with any outstanding principal due at maturity. The line of credit is secured by all assets of the Organization. Subsequent to year-end, the Organization has borrowed \$75,200 on the line of credit.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(12) **PAYCHECK PROTECTION PROGRAM LOANS**

In February of 2021, the Organization received loan proceeds in the amount of \$204,900 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the PPP provides for loans to qualifying business in amounts up to 2.5 times their average monthly payroll expenses. PPP loans and accrued interest are forgivable after the elected eight or twenty-four week period as long as the borrower maintains its payroll levels and use the loan proceeds for eligible purposes. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of the PPP loan was payable over two years at an interest rate of 1%. This loan was formally forgiven under the terms of the PPP on March 18, 2022 and the Organization reflected the loan forgiveness as a government grant on the statement of activities.

(13) **RISKS AND UNCERTAINTIES**

The Organization is exposed to various known and unknown risks and uncertainties. Risks include internal and external events and conditions (e.g. pandemic, international conflict, labor market and supply chain disruption, government mandates and policies, volatile financial markets, etc.) which could impact the availability of grants and contributions and the ability to provide program services. It is at least reasonably possible that changes could occur in the near term and that such changes could materially affect the statement of financial position and results of changes in net assets. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these risks on its operations. Any ongoing financial impact of these risks cannot be determined at this time.

(14) **MERGER**

In May of 2021, the Organization and Free Clinic of Steele County, a non-profit organization, (FCSC) entered into an agreement plan of merger. The effective date of the merger was October 13, 2021, with the Organization being the surviving entity and FCSC being dissolved.

All assets and liabilities of FCSC were transferred to the control/responsibility of the Organization and resulted in the recording of an inherent contribution to the Organization on the effective date of the merger. Assets transferred at the time of merger consisted of \$112,173 of cash and \$53,572 of fixed assets. Liabilities assumed at the time of merger consisted of accounts payable totaling \$10,984.

(15) **PRIOR PERIOD ADJUSTMENTS**

The financial statements for the year ended September 30, 2022 have been adjusted for errors identified by the Organization during fiscal year 2023. The Organization identified payments received during fiscal year 2022 that were recorded as revenue rather than a reduction of dental receivables. The result of the error was an overstatement of dental revenue and an overstatement of accounts receivable by \$38,085.

The following table sets forth the previously reported and restated amounts of selected items within the statement of financial position as of September 30, 2022 and within the statements of activities and cash flows for the year ended September 30, 2022.

HEALTHFINDERS COLLABORATIVE

Notes to the Financial Statements

September 30, 2023

With Comparative Notes for 2022

(15) **PRIOR PERIOD ADJUSTMENTS, (continued)**

Selected statement of financial position data as of September 30, 2022:

	As Previously Reported	<u>As Restated</u>
Accounts receivable	\$ 76,948	38,863
Net assets without donor restrictions	\$ 2,003,399	1,965,314

Selected statement of activities data for the year ended of September 30, 2022:

	As Previously Reported	<u>As Restated</u>
Dental services	\$ 214,678	176,593
Change in net assets before acquisition contribution	\$ 207,998	169,913
Change in net assets	\$ 362,759	324,674
Net assets – end of year	\$ 2,405,341	2,367,256

Selected statement of cash flow data for the year ended September 30, 2022:

	As Previously Reported	<u>As Restated</u>
Change in net assets	\$ 362,759	324,674
Adjustments to reconcile change in net assets provided by (used for) operating activities:		
Increase in accounts receivable	\$ (54,963)	(16,878)