Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health)

Financial Report

June 30, 2023

Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health)

Contents

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Independent Auditor's Report

To the Board of Directors
Infant Welfare Society of Chicago
(d/b/a Infant Welfare Society Family Health)

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health) (the "Organization"), which comprise the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022 and the results of its operations 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits 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 audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Infant Welfare Society of Chicago
(d/b/a Infant Welfare Society Family Health)

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 12, 2023

Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 228,084	$ 811,933
Patient accounts receivable - Net	402,588	264,836
Grants and pledges receivable - Net (Note 4)	182,873	150,316
Prepaid expenses and other current assets	195,434	170,552
Total current assets	1,008,979	1,397,637
Investments/Assets Whose Use is Limited (Note 5)	6,518,908	6,897,647
Property and Equipment - Net (Note 7)	6,603,287	6,787,024
Total assets	**$ 14,131,174**	**$ 15,082,308**
Liabilities and Net Assets		
Current Liabilities - Accounts payable and accrued expenses	$ 604,818	$ 890,723
Net Assets		
Without donor restrictions	11,712,003	12,429,927
With donor restrictions	1,814,353	1,761,658
Total net assets	13,526,356	14,191,585
Total liabilities and net assets	**$ 14,131,174**	**$ 15,082,308**

Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health)

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Public support and revenue:			
Patient services revenue	$ 5,666,266		$ 5,666,266
Bonus & Incentive Payments	150,050		150,050
304(b) Drug Revenue	146,057		146,057
Contributions and grants:			-
Auxiliary	405,000	4,700	409,700
Individuals and corporations	371,232	6,049	377,281
Foundations	702,476	376,066	1,078,542
Government	699,741		699,741
Juvenile probation revenue	154,550		154,550
Miscellaneous	62,629		62,629
Net assets released from restriction for operations	342,857	(342,857)	-
Total public support and revenue	8,700,858	43,958	8,744,816
Expenses:			
Program services:			
Primary health	$ 5,604,199		$ 5,604,199
Dental health	1,159,549		1,159,549
Other wellness services	803,802		803,802
Total program services	7,567,550		7,567,550
Supporting services:			
Management and general	2,035,103		2,035,103
Fundraising	203,622		203,622
Auxiliary support expenses	64,499		64,499
Total supporting services	2,303,224		2,303,224
Total expenses	9,870,774		9,870,774
Operating (loss) income	$ (1,169,916)	$ 43,958	$ (1,125,958)
Other income - investment income	451,992	8,737	460,729
(Deficiency) Excess of public support and revenue over expenses	(717,924)	52,695	(665,229)
Total change in net assets	(717,924)	52,695	(665,229)
Net assets, beginning of year	12,429,927	1,761,658	14,191,585
Net assets, end of year	11,712,003	1,814,353	13,526,356

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Public support and revenue:			
Patient services revenue	$ 5,956,809		$ 5,956,809
Bonus & Incentive Payments	180,301		180,301
304(b) Drug Revenue	142,095		142,095
Contributions and grants:			-
Auxiliary	422,999	87,497	510,496
Individuals and corporations	439,996	30,000	469,996
Foundations	667,674	249,418	917,092
Government	1,001,599		1,001,599
Juvenile probation revenue	203,775		203,775
Miscellaneous	26,383		26,383
Net assets released from restriction for operations	128,274	(128,274)	
Total public support and revenue	9,169,905	238,641	9,408,546
Expenses:			
Program services:			
Primary health	$ 5,918,040		$ 5,918,040
Dental health	1,327,917		1,327,917
Other wellness services	886,270		886,270
Total program services	8,132,227		8,132,227
Supporting services:			
Management and general	1,460,989		1,460,989
Fundraising	289,034		289,034
Auxiliary support expenses	66,288		66,288
Total supporting services	1,816,311		1,816,311
Total expenses	9,948,538		9,948,538
Operating (loss) income	$ (778,633)	$ 238,641	$ (539,992)
Other expenses - investment loss	(999,575)	(18,053)	(1,017,628)
(Deficiency) Excess of public support and revenue over expenses	(1,778,208)	220,588	(1,557,620)
Total change in net assets	(1,778,208)	220,588	(1,557,620)
Net assets, beginning of year	14,208,135	1,541,070	15,749,205
Net assets, end of year	12,429,927	1,761,658	14,191,585

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Support Services				
	Primary Health	Dental Health	Other Wellness Services	Total	Management and General	Fundraising	Auxiliary Support	Total	Total
Salaries	$ 3,486,113	$ 724,278	$ 428,133	$ 4,638,524	$ 1,050,451	$ 80,608	$ 58,506	$ 1,189,565	$ 5,828,089
Employee health and retirement benefits	333,472	69,149	40,502	443,123	89,194	12,596	265	102,055	545,178
Payroll taxes	257,080	52,459	31,980	341,519	69,683	8,608	5,224	83,515	425,034
Total employee compensation	4,076,665	845,886	500,615	5,423,166	1,209,328	101,812	63,995	1,375,135	6,798,301
Professional fees and contract service payments	656,015	69,469	183,748	909,232	399,760	89,779	404	489,943	1,399,175
Supplies	272,892	80,492	31,173	384,557	59,290	9,663	100	69,053	453,610
Professional liability insurance	67,120	4,566	(7,008)	64,678	-	-	-	-	64,678
Equipment rentals, repairs, and maintenance	129,602	50,264	25,179	205,045	50,719	-	-	50,719	255,764
General occupancy	150,785	43,341	21,309	215,435	101,552	-	-	101,552	316,987
All other operating expenses	50,354	13,561	14,132	78,047	127,841	2,368	-	130,209	208,256
Depreciation and amortization	173,215	51,970	34,654	259,839	86,613	-	-	86,613	346,452
340(b) drug expense	27,551	-	-	27,551	-	-	-	-	27,551
Total expenses	**$ 5,604,199**	**$ 1,159,549**	**$ 803,802**	**$ 7,567,550**	**$ 2,035,103**	**$ 203,622**	**$ 64,499**	**$ 2,303,224**	**$ 9,870,774**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Support Services				
	Primary Health	Dental Health	Other Wellness Services	Total	Management and General	Fundraising	Auxiliary Support	Total	Total
Salaries	$ 3,841,653	$ 897,248	$ 546,486	$ 5,285,387	$ 531,845	$ 116,285	$ 60,803	$ 708,933	$ 5,994,320
Employee health and retirement benefits	352,493	79,413	52,500	484,406	88,240	14,447	492	103,179	587,585
Payroll taxes	262,294	61,483	35,488	359,265	55,900	7,935	4,570	68,405	427,670
Total employee compensation	4,456,440	1,038,144	634,474	6,129,058	675,985	138,667	65,865	880,517	7,009,575
Professional fees and contract service payments	619,286	73,923	157,387	850,596	379,691	118,246	327	498,264	1,348,860
Supplies	242,412	55,478	19,853	317,743	41,998	15,591	80	57,669	375,412
Professional liability insurance	43,954	7,879	377	52,210	-	-	-	-	52,210
Equipment rentals, repairs, and maintenance	144,596	45,329	16,620	206,545	63,517	40	-	63,557	270,102
General occupancy	163,120	45,384	20,694	229,198	96,293	149	-	96,442	325,640
All other operating expenses	63,416	14,517	5,356	83,289	124,733	16,341	16	141,090	224,379
Depreciation and amortization	157,543	47,263	31,509	236,315	78,772	-	-	78,772	315,087
340(b) drug expense	27,273	-	-	27,273	-	-	-	-	27,273
Total expenses	**$ 5,918,040**	**$ 1,327,917**	**$ 886,270**	**$ 8,132,227**	**$ 1,460,989**	**$ 289,034**	**$ 66,288**	**$ 1,816,311**	**$ 9,948,538**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	$ (665,229)	$ (1,557,620)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	346,452	315,087
Net realized and unrealized (gains) losses on investments	(196,728)	1,497,465
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(170,309)	308,421
Prepaid expenses and other current assets	(24,882)	(21,821)
Accounts payable and accrued expenses	(285,905)	124,211
Net cash (used in) provided by operating activities	(996,601)	665,743
Cash Flows from Investing Activities		
Purchase of property and equipment	(162,715)	(359,940)
Purchases of investments	(1,151,247)	(1,105,532)
Proceeds from sales or maturity of investments	1,726,714	410,992
Net cash provided by (used in) investing activities	412,752	(1,054,480)
Net Decrease in Cash	(583,849)	(388,737)
Cash - Beginning of year	811,933	1,200,670
Cash - End of year	**$ 228,084**	**$ 811,933**

See notes to financial statements.

Note 1 - Nature of Business

Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health) (the "Organization") is an Illinois not-for-profit corporation that provides quality medical and dental services for the health, physical, and mental development of children and their families in the Chicagoland community. Women are accommodated with prenatal and family planning care under the direction of our partner midwifery groups. Financial support for the Organization's services is received from a variety of entities that include private foundations, individuals, grants, and managed care/insurance companies.

In November 2016, the board of directors authorized a change in services that allowed the Organization to accommodate the provision of medical, dental, and behavioral health services for the whole family. Previously, the Organization's services were limited to women and children. To recognize the addition of the whole family, the Organization adopted an assumed name of the Angel Harvey Family Health Center. Effective May 2022, the Organization is doing business as Infant Welfare Society Family Health.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. During the years ended June 30, 2023 and 2022, cash balances exceeded the insured limit established by the FDIC. Management believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. Additionally, effective May 2022, the Organization is participating in a special program established by its financial institution, which allows for coverage of up to $3,750,000. The cash balances do not exceed the insured limit established by its financial institution.

Patient Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges, reduced by explicit price concessions provided to third-party payors, discounts provided to qualifying individuals as part of the financial assistance policy, and implicit price concessions provided primarily to self-pay patients. Estimates for explicit price concessions are based on provider contracts, payment terms for relevant prospective payment systems, and historical experience adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records significant implicit price concessions in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

Grants and Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. The Organization did not record a provision for doubtful accounts in 2023 and 2022.

Note 2 - Significant Accounting Policies (Continued)

Investments/Assets Whose Use is Limited

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in (deficiency) excess of public support and revenue over expenses unless the income or loss is restricted by donors, in which case the investment return is recorded directly to net assets with donor restrictions.

Included within investments are assets whose use is limited, which include board-designated funds and assets restricted by donors for specific purpose or restricted in perpetuity (see Note 8).

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investments reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred. The Organization's policy is to capitalize assets with costs of $5,000 or more and useful lives over one year.

Classification of Net Assets

Net assets of the Organization are classified as net assets without donor restrictions or net assets with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions may expire with the passage of time or can be removed by meeting certain requirements. Additionally, donor-imposed restrictions may limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as changes in net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. The Organization has adopted the total return method of allocating investment income.

Contributions with Donor Restrictions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the year in which the gift is recognized are reported as contributions without donor restrictions. There are also certain donor-restricted contributions the principal amount of which may not be expended.

Note 2 - Significant Accounting Policies (Continued)

The Organization reports unconditional promises to give as contributions at the estimated amount to be ultimately realized. If pledges are expected to be collected in less than one year, the pledges receivable are classified as current assets. Pledge amounts due in excess of one year after the reporting date are classified as noncurrent assets at net realizable value.

Donated Services and Materials

The Organization records donated services and material received as a contribution and a corresponding expense. The revenue and expenses for the years ended June 30, 2023 and 2022 are reflected at fair value at the date of receipt. Contributed services consist of legal services provided to the Organization.

A substantial number of individuals and organizations have volunteered their services to the Organization. The estimated value of donated services has not been reflected in the financial statements, as these services do not require specific expertise.

(Deficiency) Excess of Public Support and Revenue

The statement of activities and changes in net assets includes (deficiency) excess of public support and revenue over expenses. Changes in net assets without donor restrictions, which are excluded from (deficiency) excess of public support and revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purposes of acquiring such assets).

Patient Services Revenue

Patient services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Organization receiving services in the clinical setting. The Organization measures the performance obligation from the commencement of health care services or other visit to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services or visit.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14 (a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Note 2 - Significant Accounting Policies (Continued)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient fee revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors have different reimbursement and payment methodologies.
- Length of the patient's service or episode of care
- The Organization's line of business that provides services

As of December 1, 2020, the Organization was approved as a federally qualified health center look-alike for both Medicare and Medicaid reimbursement purposes.

Grant Revenue

Revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Therefore, these expenses require allocation on a reasonable basis. Accordingly, certain indirect costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

The various programs are primary health, dental health, and other wellness services. Primary health provides clinic-based medical services, while the dental health group provides dental and orthodontia services. The other wellness services include various behavioral health, counseling, vision, and social service programs.

Costs not directly attributable to a function, including depreciation, amortization, and other occupancy costs, are allocated to a functional category based on square footage.

Income Taxes

The Organization has received a tax determination letter from the Internal Revenue Service indicating that the Organization is a tax-exempt organization, as defined by Section 501(c)(3) of the Internal Revenue Code of 1986, and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the Organization has had no significant unrelated business income.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Organization's accounts receivable, by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Organization's year ending June 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Organization is currently assessing the impact this new standard will have on its financial statements

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 12, 2023, which is the date the financial statements were available to be issued.

Note 3 - Patient Accounts Receivable

Patient accounts receivable are based on the estimated transaction price for completed contracts and total $402,588 and $264,836 at June 30, 2023 and 2022, respectively. The balance of patient accounts receivable at July 1, 2021 was $599,040.

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors at June 30 is as follows:

	2023	2022
Medicaid	84 %	72 %
Private	9	17
Medicare	-	1
Self-pay	7	10
Total	100 %	100 %

Note 4 - Grants and Pledges Receivable

Included in grants and pledges receivable are several unconditional promises to give generated from a campaign or various programs. As of June 30, 2023 and 2022, grants and pledges receivable consist of the following:

	2023	2022
Gross grants and pledges receivable	$ 182,873	$ 150,316
Amounts due in less than one year	182,873	150,316

Management provides for probable uncollectible amounts through a provision for uncollectible grants and contributions and an adjustment to a valuation allowance based on its assessment of the current status of its receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and pledges receivable. As of June 30, 2023 and 2022, there was no discount recorded on grants and pledges receivable. There was no allowance recorded for 2023 and 2022.

Note 5 - Investments/Assets Whose Use is Limited

The detail of investments is as follows at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 76,045	$ 353,913
Commodities	274,291	340,177
Fixed-income funds	739,857	1,356,074
International emerging funds	698,720	557,048
International mature funds	553,541	400,534
Other yield funds	787,343	798,047
Large-cap domestic equities	1,465,573	1,290,928
Small-cap domestic equities	1,578,661	1,408,649
REITs	344,877	392,277
Total investments at fair value	$ 6,518,908	$ 6,897,647

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of financial position.

The total investments above consist of board-designated investments of $4,704,555 and $5,135,989 and donor-restricted investments of $1,814,353 and $1,761,658 at June 30, 2023 and 2022, respectively.

The Organization's investment returns (losses) were as follows:

	2023	2022
Interest and dividends	$ 279,083	$ 496,788
Realized (losses) gains on investments	(96,429)	79,286
Unrealized gains (losses) on investments - Net	293,157	(1,576,751)
Investments fees	(15,082)	(16,951)
Total return (loss) on investments	$ 460,729	$ (1,017,628)

Note 6 - Liquidity

The Organization's financial assets available within one year of June 30 for general expenditure are as follows:

	2023	2022
Cash	$ 228,084	$ 811,933
Patient accounts receivable	402,588	264,836
Grants and pledges receivable	182,873	150,316
Total	$ 813,545	$ 1,227,085

The Organization has certain board-designated and donor-restricted assets that are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have not been included in the quantitative information above. These assets with board-designated or donor-imposed restrictions, which are more fully described in Note 5, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary. The Organization has grants and pledges receivable that are restricted for time, as described in Note 9, and are not available for general expenditure within the next year and are not reflected in the amounts above. At June 30, 2023 and 2022, there were no grants and pledges receivable that were restricted for time.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Land	$ 418,750	$ 418,750	-
Buildings and improvements	10,653,658	10,609,620	25-40
Furniture and equipment	2,131,918	2,013,241	3-10
Total cost	13,204,326	13,041,611	
Less accumulated depreciation	6,601,039	6,254,587	
Net property and equipment	$ 6,603,287	$ 6,787,024	

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purpose or time restrictions:

	2023	2022
Purpose:		
Child development/CHAT	$ 72,292	$ 35,417
Care coordination	55,166	41,667
Comer Sano!	11,050	11,050
Dental clinic	161,734	169,833
Supplies	7,498	18,665
Family services	2,500	37,500
Literacy	10,306	9,882
Equipment	75,000	75,000
Campaign for a Healthy Tomorrow	517,576	517,575
Endowment fund	723,054	723,055
Children with special needs	118,177	122,014
Distinctive Schools Expansion	50,000	-
PCMH	5,000	-
Food programming	5,000	-
Total net assets with donor restrictions	$ 1,814,353	$ 1,761,658

Both the endowment fund and children with special needs net assets are restricted in perpetuity.

During 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of $342,857 and $128,274, respectively.

Note 9 - Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment assets absent explicit donor stipulations to the contrary, which is consistent with historical accounting practices of the Organization. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the net assets. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment assets: (1) the duration and preservation of the various assets, (2) the purposes of the donor-restricted endowment assets, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Note 9 - Endowments (Continued)

The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide for the immediate needs of the intended beneficiaries of its endowment assets while also maintaining the purchasing power of those endowment assets so that current and future generations may benefit equally. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, that exceeds the amounts distributed for expenditures in support of the Organization's operating activities, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity, fixed-income securities, and real estate investment trusts that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the board-directed distributions while growing the assets if possible. Investment risk is measured in terms of the total endowment assets; investment assets and allocation between asset classes and strategies are managed to avoid exposing the endowment assets to unacceptable levels of risk.

Appropriation for distribution of board-designated endowment assets is determined solely at the discretion of the board of directors. Amounts appropriated for expenditure with donor restrictions represent earnings on the endowment.

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Board and Temporary Restrictions	Permanent Restrictions	Total
Endowment net assets - July 1, 2022	$ 6,052,578	$ 845,069	$ 6,897,647
Interest and dividends	279,083	-	279,083
Net appreciation	172,909	8,737	181,646
Contributions and (amounts appropriated for expenditures)	(826,893)	(12,575)	(839,468)
Endowment net assets - June 30, 2023	$ 5,677,677	$ 841,231	$ 6,518,908

	Board and Temporary Restrictions	Permanent Restrictions	Total
Endowment net assets - July 1, 2021	$ 6,829,785	$ 870,787	$ 7,700,572
Interest and dividends	496,778	-	496,778
Net depreciation	(1,497,390)	(18,053)	(1,515,443)
Contributions and (amounts appropriated for expenditures)	223,405	(7,665)	215,740
Endowment net assets - June 30, 2022	$ 6,052,578	$ 845,069	$ 6,897,647

For the years ended June 30, 2023 and 2022, amounts contributed and appropriated for expenditure consisted of the following:

	2023	2022
Contributions (to) from operations	$ (850,000)	$ 200,000
Other contributions	23,107	23,405
Board-approved appropriation	(12,575)	(7,665)
Total	$ (839,468)	$ 215,740

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization’s assets measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). As of June 30, 2023 and 2022, $6,442,863 and $6,543,734, respectively, was determined to be Level 1 inputs. Investments included $76,045 and $353,913 of cash included in the statement of financial position at June 30, 2023 and 2022, respectively, that is not measured at fair value on a recurring basis and, therefore, is not included in the fair value hierarchy.

Note 11 - Employee Benefit Plan

The Organization has a defined contribution plan covering substantially all eligible employees. The plan provides for discretionary contributions based on employee classifications defined in the plan. No contribution was approved for the years ended June 30, 2023 and 2022.

Note 12 - Related Party Transactions

The Auxiliary of the Infant Welfare Society of Chicago (the "Auxiliary") and the Organization have board members who serve concurrently on the board of directors for both organizations. During 2023 and 2022, the contribution from the Auxiliary included $405,000 and $422,999, respectively, for operations and $4,700 and $87,497, respectively, for literacy and centering and for dental equipment.

The Organization also provides supporting services to the Auxiliary and has allocated operating and administrative expenses to the Auxiliary. Auxiliary support expenses amounted to $66,288 and $65,282 for the years ended June 30, 2023 and 2022, respectively.

Note 13 - Contingencies

The Organization is involved in litigation arising in the ordinary course of business. The Organization is insured against professional malpractice claims under an occurrence-based policy. Under the terms of the policy, the Organization has a zero-deductible policy and bears the risk of the ultimate costs of any individual claims exceeding $1,000,000, or aggregate claims exceeding $3,000,000, for claims asserted in the policy year.

The Organization is not aware of any professional malpractice claims, either asserted or unasserted, that would exceed the policy limit. No claims have been settled during the past two years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for premiums paid for the year, and it has been charged to operations as a current expense.

As of June 30, 2023 and 2022, management has not recorded a loss contingency given the likelihood that a loss is not probable and an amount of range of loss cannot be estimated. In the opinion of management, the ultimate disposition of such matters would not have a material adverse effect on the Organization's financial position or results of operations.

Note 14 - Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities and changes in net assets were used for general and administrative services, which consisted primarily of legal services provided to the Organization. Contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2023 and 2022, the Organization recorded donated services of approximately $221,000 and $276,000, respectively. Contributed services are valued and reported at fair values based on current rates for similar services.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Infant Welfare Society of Chicago
(d/b/a Infant Welfare Society Family Health)

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Infant Welfare Society of Chicago (d/b/a Infant Welfare Society Family Health) (the "Organization"), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Infant Welfare Society of Chicago
(d/b/a Infant Welfare Society Family Health)

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 12, 2023