

**Health Planning Council of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**NOTE A – NATURE OF COUNCIL**

Health Planning Council of Southwest Florida, Inc. (the “Council”) was incorporated on December 29, 1982, under the laws of Florida as a nonprofit organization to provide health planning services and to promote the planning and development of a local comprehensive health care delivery system. The Council is responsible for health planning for a seven-county area which includes Charlotte, Collier, DeSoto, Glades, Hendry, Lee and Sarasota counties.

In addition, the Council runs several programs which provide health care and other services to various populations within this area, as well as in Hardee, Highlands, and Manatee counties.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Framework

The Council's financial statements have been prepared using the accrual reporting framework. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Basis of Presentation

Support from federal and state grants are recorded based upon the terms of the grantor allotments, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

Contributions and grants received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Council reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Council reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation (continued)

Some net assets with donor restrictions may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Council to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. There were no assets with donor restrictions at June 30, 2022 and 2021.

3. Revenue Recognition

The Council follows Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied, and ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Council recognizes federal and state and grants from other not-for-profit organizations on the accrual basis. Support and revenues from grants and contracts are generally recognized as eligible costs are incurred and/or as required services are performed. Grants are generally deemed to be exchange transactions.

Contributions are generally recognized as revenue when received or designated at a point in time and when any barriers to recognition have been overcome. Contributions received generally do not have a right of return. Contributions received with restrictions that are met in the same fiscal year are accounted for as contribution without restrictions.

4. Allocation of Expenses

The costs of providing program and related support services have been presented in detail in the statements of functional expenses and are summarized on a functional basis in the statements of activities.

5. Property and Equipment

Property and equipment are recorded at cost. Donated assets, if any, are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$5,000 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which range from two to five years. The cost of maintenance and repairs is charged to operations, as incurred. See Note G for additional information.

Health Planning Council of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Income Taxes

The Council has been granted a ruling that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Council is a non-profit Florida corporation and, therefore, is not subject to state income taxes. Accordingly, no provision for income taxes has been made. The Council is not considered a private foundation within the meaning of Section 509(a) of the Code.

The Council has not identified any tax positions that it would consider uncertain tax positions as defined by the FASB Accounting Standards Code Section 740.

7. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Council considers all unrestricted, highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

8. Compensated Absences

The Council accrues for vacation benefits earned by employees, but not yet taken. The Council's employees are not entitled to payment for unused sick days. As of June 30, 2022 and 2021, compensated absences totaled \$439,600 and \$421,237, respectively, and are included in accrued payroll on the statements of financial position.

9. Deferred Revenue

Deferred revenue represents income received but not yet earned.

10. Use of Estimates

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

11. Lease Liability

FASB ASU 2016-02, *Leases*, requires lessees to put most leases on their balance sheets and recognize expenses on their income statements. The Council adopted the lease standard effective June 30, 2020 using the cumulative-effect adjustment transition method, which applies the provisions of the standard at the effective date without adjusting the prior period. The Council adopted the following practical expedients and elected the following accounting policies relating to this standard update:

**Health Planning Council of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Lease Liability (continued)

- Short-term lease accounting policy election allowing lessees to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less; and
- The option to not separate lease and non-lease components for certain equipment lease asset categories

This standard resulted in the recognition of operating lease right-of-use assets and corresponding lease liabilities of \$272,829 and \$121,749 on the balance sheet as of June 30, 2022 and 2021, respectively. See Note K for further information.

Rental expense for operating leases is recognized by amortizing the right-of-use asset on a straight-line basis over the term of the respective lease and is included in rent and utilities in the statement of functional expenses.

The present value of the lease liability was calculated using the risk-free rate with a weighed-average of 3.23%. The weighted-average remaining lease term is 3 years.

Operating leases with a term of 12 months or less are not recorded on the statement of financial position and rental expense is recognized on a straight-line basis over the term of the lease.

**NOTE C – CONCENTRATION OF CREDIT RISK**

The Council maintains its cash and cash equivalent accounts at a commercial banking institution located in Fort Myers, Florida. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The uninsured balances at June 30, 2022 and 2021, were \$861,608 and \$1,552,912, respectively, and consisted of short-term, government-backed, pooled investments held in a sweep account.

**NOTE D – ACCRUED REVENUE**

The majority of the Council's grants are reimbursed based on actual expenditures paid. Accrued revenue represents qualifying expenditures which have not been paid prior to year-end but for which the Council has incurred a liability. The off-setting expenses are included in accounts payable on the statements of financial position.

**Health Planning Council of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**NOTE E – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2022 and 2021:

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Early Intervention Program – State of Florida | \$ 1,563,483        | \$ 1,187,724        |
| HOPWA Program                                 | 270,680             | 330,591             |
| Disaster Coalition                            | 132,000             | 129,500             |
| Other   | 162,769             | 40,561              |
| <br>  |                     |                     |
| Health Planning – State of Florida            | 78,311              | 22,727              |
| Navigator Program – USF                       | 74,950              | 19,848              |
|   | <u>\$ 2,282,193</u> | <u>\$ 1,730,951</u> |

Accounts receivable are recorded at cost. All accounts receivables are considered collectible; therefore, no allowance for bad debts has been recorded.

**NOTE F – RETIREMENT PLAN**

The Council has a defined contribution retirement plan covering all employees who meet the age and service requirement. Employer contributions are based on 10% of participants' compensation. Employees are 100% vested after 5 years of service. The Council's contributions for the years ended June 30, 2022 and 2021, were \$507,888 and \$506,143, respectively, and are included in fringe benefits in the statements of functional expenses.

**NOTE G – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2022 and 2021:

|                                | <u>2022</u>      | <u>2021</u>      |
|--------------------------------|------------------|------------------|
| Office equipment               | \$ 31,443        | \$ 31,443        |
| Leasehold improvements         | 35,175           | 35,175           |
| Software                       | 20,640           | 20,640           |
| Computer equipment             | 26,784           | 26,784           |
|                                | 114,042          | 114,042          |
| Less: accumulated depreciation | <u>(99,664)</u>  | <u>(96,450)</u>  |
|                                | <u>\$ 14,378</u> | <u>\$ 17,592</u> |

Depreciation expense for the years ended June 30, 2022 and 2021, was \$3,214 and \$4,316, respectively, and is included in operating expenses in the statements of functional expenses.

**Health Planning Council of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**NOTE H – DEFERRED REVENUE**

Deferred revenue consisted of advances on grants and contracts which had been received by the Council but had not yet been earned. Deferred revenue, as of June 30, 2022 and 2021, was as follows:

|                            | 2022       | 2021       |
|----------------------------|------------|------------|
| Disaster Coalitions        | \$ 203,434 | \$ 248,862 |
| HOPWA program              | 86,590     | 158,126    |
| FHA funds                  | 18,810     | 87,535     |
| Early Intervention program | 9,287      | -          |
|                            | \$ 318,121 | \$ 494,523 |

**NOTE I – BANK LINE OF CREDIT**

The Council entered into a \$500,000 line of credit agreement with Iberia Bank on March 31, 2020. The line of credit is governed by a loan agreement. The line of credit matured on March 31, 2021, however, it was renewed on June 10, 2021. The new maturity date was September 30, 2022. At June 30, 2022 and 2021 the total credit available under the line of credit was \$500,000 and \$500,000, with an interest rate of 4.750 and 4.250, respectively.

**NOTE J – ECONOMIC DEPENDENCY**

The Council receives a substantial amount of its income from grants which are on a year-to-year basis. During the year ended June 30, 2022, the Council received 88.7% of its income from three grants totaling \$10,714,867. During the year ended June 30, 2021, the Council received 92.7% of its income from three grants totaling \$9,920,350.

**NOTE K – LEASE LIABILITY**

The Council entered into leases for its Lee County facilities which commenced on September 1, 2014, and expired on August 31, 2018. The Council renewed the lease on September 1, 2018 for another four years and on May 5, 2022 for an additional three, expiring on August 31, 2025. The leases are cancellable at any time by providing the landlord with 60 day's advance written notice. Rental expense under these leases for the years ended June 30, 2022 and 2021, was \$83,200 and \$90,664, respectively.

The Council also entered into a lease for office space in Sarasota County. The lease commenced on July 1, 2016, and expired on June 30, 2017. The Council has the option to renew this lease on an annual basis. Since July 1, 2017, the lease has been renewed on a yearly basis. On July 1, 2020, the Council renewed the lease until June 30, 2021. The lease is cancellable at any time by providing the landlord with 90 day's advance written notice. Rental expense under this lease for the years ended June 30, 2022 and 2021, was \$0 and \$96,021, respectively, per year.

**Health Planning Council of Southwest Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**NOTE K – LEASE LIABILITY (continued)**

The Council also entered into a lease for office space in Highlands County. The lease commenced on November 1, 2016, and expired on October 31, 2017, and renewed for period November 1, 2017, and expired on October 31, 2018. In November 2019, the Council renewed the lease until October 31, 2022. Rental expense under this lease for the years ended June 30, 2022 and 2021, was \$10,200 and \$10,200, respectively.

The Council also entered into various leases for its office equipment. The leases are for 36 months with various expiration dates through March 2023. Rental expense under these leases for the years ended June 30, 2022 and 2021, was \$8,182 and \$8,182, respectively.

The Council's maturity analysis of operating lease liabilities as of June 30, 2022 were as follows:

|                                       |    |                       |
|---------------------------------------|----|-----------------------|
| 2023                                  | \$ | 102,785               |
| 2024                                  |    | 85,335                |
| 2025                                  |    | 84,930                |
| 2026                                  |    | <u>14,213</u>         |
| Total lease payments                  |    | 287,263               |
| Less imputed interest                 |    | <u>(14,434)</u>       |
| Present value of lease liabilities    |    | 272,829               |
| Less current obligation               |    | <u>(102,785)</u>      |
| Long-term obligation at June 30, 2022 | \$ | <u><u>170,044</u></u> |

**NOTE L – RECONCILIATION OF EXPENDITURES OF FEDERAL AWARDS**

Federal grant revenue recognized on the statement of activities is reconciled to the supplementary schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2022, as follows:

|                                |    |                         |
|--------------------------------|----|-------------------------|
| Federal grant revenue          | \$ | 4,795,657               |
| Change in deferred revenue     |    | <u>(7,717)</u>          |
| Expenditures of federal awards | \$ | <u><u>4,787,940</u></u> |

**NOTE M – FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Council. Those expenses that are directly attributable to the Council's programs have been allocated to the various programs. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Indirect costs have been allocated among the programs based on the percentage of full-time employees utilized by each program.

Health Planning Council of Southwest Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE N – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 9, 2022, which is the date the financial statements were available to be issued.

**NOTE O – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Council's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 962,813          | \$ 1,683,176        |
| Accounts receivable  | 2,282,193           | 1,730,951           |
| Accrued revenue  | 110,494             | 8,127               |
| Prepaid expenses   | 102,135             | 28,802              |
| Total financial assets available within one year                   | <u>3,457,635</u>    | <u>3,451,056</u>    |
| Accounts payable   | 488,769             | 223,402             |
| Accrued payroll  | 498,702             | 689,736             |
| Retirement plan payable  | 51,677              | 36,127              |
| Deferred revenue   | 318,121             | 494,523             |
| Operating lease liability  | 102,785             | 101,582             |
| Total amounts unavailable for general expenditures within one year | <u>1,460,054</u>    | <u>1,545,370</u>    |
| Total net financial assets available within one year               | <u>\$ 1,997,581</u> | <u>\$ 1,905,686</u> |

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE P – RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Coalition's financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation.