INFANT WELFARE SOCIETY OF CHICAGO D/B/A ANGEL HARVEY FAMILY HEALTH CENTER

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER

YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditors' Report

Board of Directors
Infant Welfare Society of Chicago
d/b/a Angel Harvey Family Health Center

We have audited the accompanying financial statements of Infant Welfare Society of Chicago d/b/a Angel Harvey Family Health Center (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

NBC Tower, Suite 1500 | 455 N. Cityfront Plaza Drive | Chicago, IL 60611-5313 | O 312.670.7444 | F 312.670.8301 | ORBA.COM
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infant Welfare Society of Chicago d/b/a Angel Harvey Family Health Center as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, certain errors pertaining to capitalization of software costs, and timing of expense recognition of certain medical supplies and medical professional services were identified resulting in an adjustment and restatement of the financial statements for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Ostrow Reisin Berk & Abrams, Ltd.

May 14, 2019

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION

June 30,	2018	2017 (As restated)
ASSETS		
Cash	**$ 265,946**	$ 144,686
Receivables:		
Patient service, less allowance for uncollectible accounts of $168,953 in 2018 and $150,000 in 2017	**693,288**	976,639
Grants and contributions, less allowance for uncollectible accounts of $16,000 in 2017	**615,071**	435,794
Prepaid expenses	**147,960**	195,462
Investments	**7,765,917**	7,653,232
Property and equipment, net	**7,466,398**	7,726,006
Total assets	**$ 16,954,580**	$ 17,131,819
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 947,748**	$ 821,801
Net assets:		
Unrestricted	**14,691,908**	15,364,267
Temporarily restricted	**486,870**	117,697
Permanently restricted	**828,054**	828,054
Total net assets	**16,006,832**	16,310,018
Total liabilities and net assets	**$ 16,954,580**	$ 17,131,819

See notes to financial statements.

**INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER**

STATEMENTS OF ACTIVITIES

Years ended June 30,	2018				2017 (As restated)			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Patient services	**$ 4,761,211**			**$ 4,761,211**	$ 6,043,339			$ 6,043,339
Less provision for bad debts	**22,675**			**22,675**	50,000			50,000
Net patient services revenue	**4,738,536**			**4,738,536**	5,993,339			5,993,339
Contributions and grants:								
Auxiliary	**650,000**	**$ 10,000**		**660,000**	600,000	$ 10,000		610,000
Individuals, corporations and United Way (includes in-kind donations of $506,314 for 2018 and $226,297 for 2017)	**1,050,332**			**1,050,332**	378,535			378,535
Foundations	**420,335**	**513,518**		**933,853**	615,312	85,000		700,312
Government	**348,296**			**348,296**	527,896			527,896
Juvenile probation revenue	**696,545**			**696,545**	877,559			877,559
Miscellaneous					54,935			54,935
Net assets released from restrictions	**165,628**	**(165,628)**			143,814	(143,814)		
Total public support and revenue	**8,069,672**	**357,890**		**8,427,562**	9,191,390	(48,814)		9,142,576

See notes to financial statements.

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER

STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended June 30,	2018				2017 (As restated)			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Program services:								
Primary health	**$ 4,071,087**			**$ 4,071,087**	$ 3,913,828			$ 3,913,828
Dental health	**1,152,205**			**1,152,205**	1,150,712			1,150,712
Other wellness services	**2,458,016**			**2,458,016**	2,496,702			2,496,702
Total program services	**7,681,308**			**7,681,308**	7,561,242			7,561,242
Supporting services:								
Management and general	**1,476,512**			**1,476,512**	2,011,526			2,011,526
Fundraising	**218,767**			**218,767**	215,573			215,573
Total supporting services	**1,695,279**			**1,695,279**	2,227,099			2,227,099
Total expenses	**9,376,587**			**9,376,587**	9,788,341			9,788,341
Excess (deficiency) of public support and revenue over expenses	**(1,306,915)**	**$ 357,890**		**(949,025)**	(596,951)	$ (48,814)		(645,765)
Other changes in net assets:								
Investment income	**710,434**	**11,283**		**721,717**	908,972	14,702		923,674
Auxiliary support expenses	**(75,878)**			**(75,878)**	(151,843)			(151,843)
Total change in net assets	**(672,359)**	**369,173**		**(303,186)**	160,178	(34,112)		126,066
Net assets, beginning of year, as originally reported					15,362,245	151,809	$ 828,054	16,342,108
Prior period adjustment					(158,156)			(158,156)
Net assets, beginning of year, as restated	**15,364,267**	**117,697**	**$ 828,054**	**16,310,018**	15,204,089	151,809	828,054	16,183,952
Net assets, end of year, as restated	**$ 14,691,908**	**$ 486,870**	**$ 828,054**	**$ 16,006,832**	$ 15,364,267	$ 117,697	$ 828,054	$ 16,310,018

See notes to financial statements.

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2018	Program services				Supporting services			Total		
	Primary health	Dental health	Other wellness services	Total	Management and general	Fundraising	Total	Total program and supporting services	Auxiliary support	Total
Employee compensation:										
Salaries	$ 2,259,518	$ 639,486	$ 1,364,237	$ 4,263,241	$ 833,965	$ 123,515	$ 957,480	$ 5,220,721	$ 53,060	$ 5,273,781
Employee health and retirement benefits	241,220	68,270	145,642	455,131	88,956	13,262	102,218	557,349	5,863	563,212
Payroll taxes	178,387	50,487	107,706	336,580	65,841	9,751	75,592	412,172	5,239	417,411
Total employee compensation	2,679,124	758,243	1,617,585	5,054,952	988,762	146,528	1,135,290	6,190,242	64,162	6,254,404
Professional fees and contract service payments	673,045	190,485	406,367	1,269,897	248,414	36,792	285,206	1,555,103	545	1,555,648
Supplies	224,551	63,552	135,578	423,680	82,879	12,275	95,154	518,834	417	519,251
Professional liability insurance	70,470	19,954	42,548	132,972				132,972		132,972
Equipment rentals, repairs and maintenance	99,191	28,073	59,889	187,153	36,610	5,422	42,033	229,186		229,186
General occupancy	67,450	19,090	40,725	127,265	24,895	3,687	28,582	155,847	1,803	157,650
All other operating expenses	130,406	36,907	78,736	246,049	48,132	7,129	55,261	301,310	326	301,636
Depreciation and amortization	126,850	35,901	76,589	239,340	46,819	6,934	53,753	293,093	8,625	301,718
Total expenses	$ 4,071,087	$ 1,152,205	$ 2,458,016	$ 7,681,308	$ 1,476,512	$ 218,767	$ 1,695,279	$ 9,376,587	$ 75,878	9,452,465
Less auxiliary support expenses										(75,878)
Total expenses as reported on the statements of activities										$ 9,376,587

See notes to financial statements.

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2017 (As restated)	Program services				Supporting services			Total program and supporting services	Auxiliary support	Total
	Primary health	Dental health	Other wellness services	Total	Management and general	Fundraising	Total			
Employee compensation:										
Salaries	$ 2,593,559	$ 760,992	$ 1,574,060	$ 4,928,611	$ 963,911	$ 143,002	$ 1,106,913	$ 6,035,524	$ 110,860	$ 6,146,384
Employee health and retirement benefits	274,681	85,915	180,664	541,260	121,919	18,146	140,065	681,325	14,113	695,438
Payroll taxes	189,860	46,720	120,371	356,951	62,793	9,759	72,552	429,503	8,779	438,282
Total employee compensation	3,058,100	893,627	1,875,095	5,826,822	1,148,623	170,907	1,319,530	7,146,352	133,752	7,280,104
Professional fees and contract service payments	166,303	66,295	342,001	574,599	468,797	1,618	470,415	1,045,014	135	1,045,149
Supplies	381,284	82,947	83,535	547,766	62,699	2,992	65,691	613,457	1,167	614,624
Professional liability insurance	81,052	2,564		83,616				83,616		83,616
Equipment rentals, repairs and maintenance	35,967	15,632	20,153	71,752	177,674	4,243	181,917	253,669	773	254,442
General occupancy	44,216	22,103	30,890	97,209	29,199	5,489	34,688	131,897	6,494	138,391
All other operating expenses	52,259	14,250	60,612	127,121	54,468	18,254	72,722	199,843	897	200,740
Depreciation and amortization	94,647	53,294	84,416	232,357	54,066	12,070	66,136	298,493	8,625	307,118
Provision for uncollectible grants and contributions					16,000		16,000	16,000		16,000
Total expenses	$ 3,913,828	$ 1,150,712	$ 2,496,702	$ 7,561,242	$ 2,011,526	$ 215,573	$ 2,227,099	$ 9,788,341	$ 151,843	9,940,184
Less auxiliary support expenses										(151,843)
Total expenses as reported on the statements of activities										$ 9,788,341

See notes to financial statements.

INFANT WELFARE SOCIETY OF CHICAGO
D/B/A ANGEL HARVEY FAMILY
HEALTH CENTER

STATEMENTS OF CASH FLOWS

Years ended June 30,		**2018**		2017 (As restated)
Cash flows from operating activities:				
Change in net assets	**$**	**(303,186)**	$	126,066
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation and amortization		**301,718**		307,118
Contributed stock		**(70,969)**		
Net gain on investments		**(426,511)**		(654,269)
Provision for bad debts		**22,675**		66,000
(Increase) decrease in operating assets:				
Receivables		**81,399**		(706,369)
Prepaid expenses		**47,502**		(61,516)
Increase in operating liabilities:				
Accounts payable and accrued expenses		**125,947**		309,547
Net cash used in operating activities		**(221,425)**		(613,423)
Cash flows from investing activities:				
Purchase of investments		**(1,297,228)**		(997,630)
Proceeds from sale or maturity of investments		**1,682,023**		1,578,225
Purchase of property and equipment		**(42,110)**		(12,100)
Net cash provided by investing activities		**342,685**		568,495
Net change in cash		**121,260**		(44,928)
Cash, beginning of year		**144,686**		189,614
Cash, end of year	**$**	**265,946**	$	144,686
Supplemental disclosure of non-cash investing and financing activities:				
Contributed stock	**$**	**70,969**		

See notes to financial statements.

1. Organization

Infant Welfare Society of Chicago (the Organization) is an Illinois not-for-profit corporation, which 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 pre-natal 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 2016, a unique and specialized program, Child-Centered Health and Advanced Therapies (CHAT), was opened to meet the needs of children along the development spectrum.

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.

2. Summary of significant accounting policies

Basis of accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Organization's financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activities are classified as unrestricted, temporarily restricted and permanently restricted as follows:

> **Unrestricted** – Unrestricted net assets are not subject to donor-imposed restrictions. Board-designated net assets are voluntary resolutions by the Board of Directors to designate a portion of the Organization's net assets for future purposes. Since designations are voluntary and may be amended by the Board of Directors at any time, Board-designated net assets are included with unrestricted net assets.

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Temporarily restricted – Temporarily restricted net assets are subject to donor-imposed restrictions, which will be met either by actions of the Organization or the passage of time.

Permanently restricted – Permanently restricted net assets are subject to donor-imposed restrictions to be permanently maintained by the Organization. Generally, the donors of these assets permit the Organization to use part or all of the income earned on related investments for general or specific purposes.

Public support and revenue:

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including pledges and certain grants, are recognized in the period in which the unconditional pledge is received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of land, building and equipment, as well as investments in debt and equity securities without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

2. Summary of significant accounting policies (continued)

Public support and revenue: (continued)

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. These grants and contracts require the Organization to provide certain health care services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend funds allotted under the grants and contracts.

Grants and contributions receivable:

Grants and contributions receivable include unconditional promises to give net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of specific donor history and experience. Pledges due in more than one year are discounted using a risk-adjusted rate of return to reflect the present value of the receivables.

Grants and contributions receivable consist of the following:

June 30,	**2018**	2017
Amounts due in:		
Less than one year	**$ 495,071**	$ 435,794
One to five years	**120,000**	
Total	**$ 615,071**	$ 435,794

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 contributions receivable.

2. Summary of significant accounting policies (continued)

Patient service revenue:

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined reimbursement rates. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

The Organization provides care to self-pay patients on a sliding fee scale. Patients who meet income eligibility requirements receive services without charge or at rates less than the clinic's established rates for services. These services represent charity care and are excluded from net patient service revenue. The Organization maintains records to identify and monitor the level of charity care provided, which is measured by the amount of estimated costs incurred to provide these services less any payments received. These costs totaled approximately $469,000 and $516,000 for the years ended June 30, 2018 and 2017, respectively.

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

Management believes that the Organization is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicaid program.

Patient service receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. 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 accounts receivable. The allowance for uncollectible accounts is estimated by management based on historical relationships with patients and other third-party payors.

2. Summary of significant accounting policies (continued)

Investments:

Investments are stated at fair value. The fair value of investments is generally determined based on quoted market prices or estimated fair value. The Organization's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statements of financial position. Donated securities are recorded as contributions at their fair value at the date of the gift.

Board-directed endowment:

The Organization has adopted the total return method of allocating investment income. In accordance with the investment policy, the Board of Directors authorizes annually an amount to be distributed for expenditures in support of the Organization's operating activities. The purpose or amount of any distribution is at the sole discretion of the Board of Directors.

Property and equipment:

Property and equipment are stated at cost or fair value as of the date of the donation. The Organization's policy is to capitalize assets with costs of $5,000 or more and useful lives of over one year. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Building and improvements	28-40
Furniture and equipment	3-7

Donated services and materials:

The Organization records donated services and material received as a contribution and a corresponding expense. The revenues and expenses for the years ended June 30, 2018 and 2017 are reflected at fair value at the date of receipt. Contributed services consist of legal services provided to the Organization. These contributed services were valued at approximately $322,000 and $221,000 for the years ended June 30, 2018 and 2017, respectively. In addition, the Organization received approximately $71,000 of contributed shares of stock and $184,000 of donated supplies during the year ended June 30, 2018. The Organization received approximately $5,000 of donated supplies and equipment for the year ended June 30, 2017.

2. Summary of significant accounting policies (continued)

Donated services and materials: (continued)

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.

Malpractice claims:

The Organization provides malpractice insurance for their licensed medical professionals through a third party insurance provider. No malpractice claims have been filed during the years ended June 30, 2018 and 2017.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited based on estimates determined by management.

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.

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.

Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Summary of significant accounting policies (continued)

Reclassification:

The statements of activities and statements of functional expenses have been reclassified in order to conform to the current year's presentation.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2018, the financial statement date, through May 14, 2019, the date the financial statements were available to be issued.

3. Prior period adjustments

During the year ended June 30, 2018, the Organization identified certain errors in their financial statements for the year ended June 30, 2017. The impact of these errors is discussed below, and adjustments have been reflected in the restated balances as of and for the year ended June 30, 2017.

Various software related costs were capitalized that should have been expensed. The net effect of this error resulted in the overstatement of property and equipment, net in the amount of $231,573 and the understatement of prepaid expenses in the amount of $50,840 as of June 30, 2017.

Certain medical supplies typically expensed as purchased were included in prepaid expenses resulting in the overstatement of prepaid expenses in the amount of $21,104 as of June 30, 2017.

Certain medical professional services incurred in June 2017 were not accrued resulting in the understatement of accounts payable and accrued expenses in the amount of $7,631 as of June 30, 2017.

The net effect of these adjustments resulted in the restatement and reduction in unrestricted net assets at July 1, 2016 in the amount of $158,156 and reduction in the change in net assets for the year ended June 30, 2017 in the amount of $51,312.

4. Cash

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2018, cash in excess of these limits totaled approximately $43,000. There were no cash amounts in bank accounts in excess of federally-insured limits at June 30, 2017. Money market funds held in investment accounts are uninsured. Management believes that the Organization is not exposed to any significant credit risk on cash.

5. Investments

The Organization values its investments at fair value. Accounting principles generally accepted in the United States of America establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable (Level 1) or unobservable (Level 3). The investments below all have observable inputs and are exchange-traded on active markets, and are, therefore, considered Level 1 assets.

Investments are composed of the following:

June 30,	**2018**	2017
Mutual funds	**$ 3,638,903**	$ 3,386,614
Domestic common stocks	**2,226,446**	2,321,203
Exchange-traded funds	**863,307**	1,034,703
Corporate domestic bonds	**417,703**	386,343
Money market instruments	**531,052**	360,637
U.S. Government bonds	**88,506**	163,732
Total investments at fair value	**$ 7,765,917**	$ 7,653,232

Investment returns were as follows:

Years ended June 30,	**2018**	2017
Interest and dividends	**$ 312,090**	$ 287,805
Realized gains on investments, net	**414,493**	265,495
Unrealized gains on investments, net	**12,018**	388,774
Investment fees	**(16,884)**	(18,400)
Total return on investments	**$ 721,717**	$ 923,674

6. Property and equipment

Property and equipment consist of the following:

June 30,	2018	2017 (As restated)
Land	$ 418,750	$ 418,750
Building and improvements	10,277,070	10,277,070
Furniture and equipment	1,751,423	1,709,313
	12,447,243	12,405,133
Accumulated depreciation and amortization	(4,980,845)	(4,679,127)
Property and equipment, net	$ 7,466,398	$ 7,726,006

7. Restricted net assets

Temporarily restricted net assets include gifts of cash and pledges for which donor-imposed restrictions have not been met. Temporarily restricted net assets are restricted for the following purpose or time restrictions:

June 30,	2018	2017
Purpose:		
Centering program	$ 14,583	
Children with special needs	23,479	$ 19,630
Comer Sano! Eat Healthy!	2,103	15,000
Dental clinic	21,666	20,000
Dental - digital x-ray machine	31,100	
Family services	14,375	60,000
Literacy	1,673	
Mammograms	3,067	3,067
Time	374,824	
Total temporarily restricted net assets	$ 486,870	$ 117,697

7. Restricted net assets (continued)

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	**2018**	2017
Program:		
Centering program	**$ 35,417**	
CHAT capital campaign		$ 20,000
Children with special needs	**7,434**	7,356
Comer Sano! Eat Healthy!	**27,897**	
Dental clinic	**33,334**	12,500
Family services	**60,625**	33,125
Integrated care initiative		45,833
Literacy	**921**	
Time		25,000
Total net assets released from restrictions	**$ 165,628**	$ 143,814

Permanently restricted net assets consist of the following:

June 30,	**2018**	2017
General endowment fund	**$ 723,054**	$ 723,054
Children with special needs	**105,000**	105,000
Total permanently restricted net assets	**$ 828,054**	$ 828,054

8. Endowments

The Organization's endowment includes both donor-restricted funds and funds directed by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments, including those 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 permanently restricted net assets (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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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.

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 as well as capital appreciation, which 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 is 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 not expose the endowment assets to unacceptable levels of risk.

8. Endowments (continued)

Appropriation for distribution of board-designated endowment assets is determined solely at the discretion of the Board of Directors.

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

Year ended June 30, 2018	**Unrestricted (Board-designated)**	**Temporarily Restricted**	**Permanently Restricted**	**Total Net Endowment Assets**
Endowment net assets, beginning of year	**$ 6,805,548**	**$ 19,630**	**$ 828,054**	**$ 7,653,232**
Contributions	**84,583**			**84,583**
Interest and dividends	**278,813**		**33,277**	**312,090**
Net appreciation	**354,103**	**11,283**	**44,240**	**409,626**
Amounts appropriated for expenditure	**(608,663)**	**(7,434)**	**(77,517)**	**(693,614)**
Endowment net assets, end of year	**$ 6,914,384**	**$ 23,479**	**$ 828,054**	**$ 7,765,917**

Year ended June 30, 2017	Unrestricted (Board-designated)	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 6,739,220	$ 12,284	$ 828,054	$ 7,579,558
Contributions	29,043			29,043
Interest and dividends	256,665		31,140	287,805
Net appreciation	552,493	14,702	68,674	635,869
Amounts appropriated for expenditure	(771,873)	(7,356)	(99,814)	(879,043)
Endowment net assets, end of year	$ 6,805,548	$ 19,630	$ 828,054	$ 7,653,232

8. Endowments (continued)

For the years ended June 30, 2018 and 2017, amounts appropriated for expenditures consisted of the following:

Years ended June 30,	**2018**	2017
Board approved appropriation	**$ 400,000**	$ 400,000
Cash transfer to cover operating expenses, net	**280,000**	400,000
Cash transfer to cover capital expenditures, net		50,000
Cash transfer of proceeds from sale of donated stock	**13,614**	29,043
	$ 693,614	$ 879,043

9. Patient service revenue

The patient service revenue by source for the years ended June 30, 2018 and 2017 was as follows:

Years ended June 30,	**2018**		2017	
	Amount	**Percentage of service revenue**	Amount	Percentage of service revenue
Medicaid and Medicaid Managed Care	**$ 4,421,282**	**92.9 %**	$ 5,608,973	92.8 %
Self-pay	**157,556**	**3.3**	158,968	2.6
Commercial insurance and other	**182,373**	**3.8**	275,398	4.6
Total	**$ 4,761,211**	**100.0 %**	$ 6,043,339	100.0 %

10. Concentrations

At June 30, 2018, three payors comprised approximately 41% of gross patient service receivables. At June 30, 2017, two payors comprised approximately 52% of gross patient service receivables.

The Organization has a long-standing partnership in fundraising with Auxilary of the Infant Welfare Society of Chicago (the Auxiliary). During the years ended June 30, 2018 and 2017, $660,000 and $610,000 of the Organization's revenue was provided by the Auxiliary, respectively.

11. Employee benefit plan

The Organization has a defined-contribution profit-sharing plan covering substantially all eligible employees. The plan provides for discretionary contributions based on employee classifications as defined in the plan. No contribution was approved for the years ended June 30, 2018 and 2017.

12. Related party transactions

The Auxilary and the Organization have board members that serve concurrently on the board of directors for both organizations. During 2018, the contribution from the Auxiliary included $650,000 for operations and $10,000 for dental equipment. In 2017, the contribution from the Auxiliary included $600,000 for operations and $10,000 for dental equipment.

The Organization also provides supporting services to the Auxiliary and has allocated operating, administrative and depreciation expenses to the Auxiliary, based on the relative amount of space used by the Auxiliary on the Organization's premises. Auxiliary support expenses amounted to $75,878 and $151,843 for the years ended June 30, 2018 and 2017, respectively. Depreciation expense related to the Auxiliary's use of space was $8,625 for each of the years ended June 30, 2018 and 2017.