CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Roanoke, Virginia

FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

CONTENTS

Anderson & Reed LLP
Certified Public Accountants
Since 1948

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child Health Investment Partnership, Inc.
Roanoke, Virginia

We have audited the accompanying financial statements of Child Health Investment Partnership, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Health Investment Partnership, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aden + Reed, LLP

Roanoke, Virginia
October 25, 2021

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Statements of Financial Position
June 30, 2021 and 2020

ASSETS	2021	2020
Current Assets:		
Cash and cash equivalents	$ 235,561	$ 288,945
Accounts receivable, net	160,302	140,530
Pledges receivable	14,188	27,700
Grants receivable	126,115	151,603
Other assets	18,988	3,522
Total current assets	555,154	612,300
Investments	2,349,380	1,815,078
Pledges Receivable – Noncurrent	10,000	12,500
Land, Building and Equipment – Net	1,548,574	1,613,757
Total assets	$ 4,463,108	$ 4,053,635
LIABILITIES and NET ASSETS		
Current Liabilities:		
Accounts payable	$ 88,855	$ 36,029
Accrued payroll	77,217	78,362
Accrued compensated absences	43,633	43,512
Deferred revenue	3,208	3,114
Total liabilities	212,913	161,017
Net Assets:		
Without donor restrictions:		
Undesignated	1,857,447	1,983,160
Board-designated endowment	2,349,380	1,815,078
Total net assets without donor restrictions	4,206,827	3,798,238
With donor restrictions	43,368	94,380
Total net assets	4,250,195	3,892,618
Total liabilities and net assets	$ 4,463,108	$ 4,053,635

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restriction		
Support and revenue:		
Contributions	$ 266,051	$ 315,836
CHIP of Virginia	480,267	392,348
Foundation grants	196,135	166,800
Government grants	218,725	159,200
Paycheck Protection Program grant	-	259,400
United Way of Roanoke Valley	83,953	83,953
Third-party billings	233,846	270,695
Special events (net of costs of $5,582 in 2021 and $30,009 in 2020)	31,016	44,654
Rental income	37,750	36,474
Investment income (loss)	383,122	(16,079)
Loss on disposal of equipment	-	(3,535)
Net assets released from restriction	52,662	88,880
Total support and revenue	1,983,527	1,798,626
Expenses:		
Program services	1,337,425	1,432,233
Management and general	143,039	156,053
Fund raising	94,474	104,435
Total expenses	1,574,938	1,692,721
Change in Net Assets Without Donor Restriction	408,589	105,905
Net Assets With Donor Restriction		
Contributions	1,650	-
Net assets released from restriction	(52,662)	(88,880)
Change in Net Assets With Donor Restriction	(51,012)	(88,880)
Change in Net Assets	357,577	17,025
Net Assets		
Beginning of year	3,892,618	3,875,593
End of year	$ 4,250,195	$ 3,892,618

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	$ 357,577	$ 17,025
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	75,156	74,987
(Gain) loss on investments	(352,065)	61,200
Loss on sale of fixed assets	-	3,535
Changes in assets and liabilities:		
(Increase) decrease:		
Receivables	21,728	9,334
Other assets	(15,466)	6,667
Increase (decrease):		
Accounts payable	52,826	(4,545)
Accrued expenses	(1,024)	8,042
Deferred revenue	94	178
Net cash provided by operating activities	138,826	176,423
INVESTING ACTIVITIES		
Investment activity	(182,237)	170,879
Purchase of property and equipment	(9,973)	(36,597)
Net cash provided by (used in) investing activities	(192,210)	134,282
FINANCING ACTIVITIES		
Principal payments on note payable	-	(123,378)
Net Increase (Decrease) in Cash and Cash Equivalents	(53,384)	187,327
CASH AND CASH EQUIVALENTS		
Beginning	288,945	101,618
Ending	$ 235,561	$ 288,945
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	$ -	$ 2,167

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Medical Coordination	Family Strengthening	Education	Total Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 455,887	$ 306,042	$ 190,604	$ 952,533	$ 57,137	$ 52,781	$ 1,062,451
Fringe Benefits	54,774	47,467	36,128	138,369	5,159	6,171	149,699
Payroll Taxes	31,302	23,170	13,992	68,464	4,677	4,481	77,622
Contract Services	4,159	2,890	2,659	9,708	45,878	9,263	64,849
Building and Grounds Maintenance	2,600	1,796	1,304	5,700	2,087	249	8,036
Utilities	6,081	2,912	2,145	11,138	232	412	11,782
Janitorial and Supplies Costs	2,011	1,276	940	4,227	198	180	4,605
Insurance	7,213	5,473	3,914	16,600	929	928	18,457
Software Support	14,068	12,683	200	26,951	72	4,502	31,525
Telephone	5,753	4,744	2,037	12,534	415	1,306	14,255
Copier and Printing Expense	2,707	2,203	1,409	6,319	380	4,526	11,225
Office and Computer Supplies	2,950	2,203	1,638	6,791	514	338	7,643
Postage	918	688	507	2,113	107	925	3,145
Program Expenses	153	2,301	2,845	5,299	-	-	5,299
Advertising, Marketing and Fundraising	-	-	-	-	-	1,882	1,882
Staff Development	1,140	1,179	607	2,926	390	155	3,471
Travel and Mileage	2,508	2,799	2,280	7,587	516	327	8,430
Transportation for Families	551	1,372	-	1,923	-	-	1,923
Professional Fees	-	-	-	-	7,500	-	7,500
Miscellaneous Expenses	558	134	152	844	1,735	3,404	5,983
Depreciation Expense	24,916	18,709	13,774	57,399	15,113	2,644	75,156
	$ 620,249	$ 440,041	$ 277,135	$ 1,337,425	$ 143,039	$ 94,474	$ 1,574,938

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Medical Coordination	Family Strengthening	Education	Total Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 480,187	$ 342,943	$ 155,478	$ 978,608	$ 70,877	$ 61,390	$ 1,110,875
Fringe Benefits	54,577	67,569	15,936	138,082	4,616	3,532	146,230
Payroll Taxes	35,514	27,164	9,791	72,469	5,559	4,674	82,702
Contract Services	5,206	4,207	3,329	12,742	42,764	9,248	64,754
Building and Grounds Maintenance	5,868	3,831	318	10,017	2,192	333	12,542
Utilities	6,215	4,546	774	11,535	511	385	12,431
Janitorial and Supplies Costs	2,227	2,265	198	4,690	273	205	5,168
Insurance	7,167	6,835	1,730	15,732	958	845	17,535
Software Support	13,425	12,233	90	25,748	35	4,501	30,284
Telephone	4,280	2,859	310	7,449	472	846	8,767
Copier and Printing Expense	3,073	3,908	891	7,872	523	7,251	15,646
Office and Computer Supplies	2,202	2,620	704	5,526	701	252	6,479
Postage	700	840	153	1,693	103	1,192	2,988
Bad Debt Expense	45,322	-	-	45,322	-	-	45,322
Program Expenses	2,444	4,295	1,425	8,164	-	-	8,164
Interest Expense	1,237	-	-	1,237	930	-	2,167
Advertising, Marketing and Fundraising	23	27	-	50	-	3,696	3,746
Staff Development	1,194	1,035	57	2,286	91	86	2,463
Travel and Mileage	8,447	9,708	1,607	19,762	971	651	21,384
Transportation for Families	2,199	388	-	2,587	-	-	2,587
Professional Fees	-	-	-	-	7,500	-	7,500
Miscellaneous Expenses	1,289	1,616	522	3,427	1,580	2,993	8,000
Depreciation Expense	25,792	25,029	6,414	57,235	15,397	2,355	74,987
	$ 708,588	$ 523,918	$ 199,727	$ 1,432,233	$ 156,053	$ 104,435	$ 1,692,721

The accompanying notes are an integral part of these financial statements and should be read in connection therewith.

CHILD HEALTH INVESTMENT PARTNERSHIP, INC.

Notes to Financial Statements
June 30, 2021 and 2020

Note 1. Nature of Activities

Child Health Investment Partnership, Inc. (CHIP) is a human services organization designed to coordinate collaborative efforts between public and private sectors to provide health care coordination and family support services for area children living in poverty. The process of providing this service is multifaceted and includes case management, health care coordination, and parental involvement. CHIP is located in Roanoke, Virginia and primarily serves families residing in the Roanoke Valley region of western Virginia. The Organization's primary sources of revenue are public contributions, government and private grants, and fees for services.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition:

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers in exchange transactions. The ASU 2014-09 replaces most existing revenue recognition guidance in legacy GAAP. The Organization has adopted ASU 2014-09; however, its adoption had no impact on the financial statements for years ending June 30, 2021 and 2020.

Revenue from third-party billings are recognized when earned. Contributions are recognized when cash, other assets or an unconditional promise to give is received. Grants (conditional promises to give) are recognized when the conditions, on which they depend, are substantially met.

Functional Allocation of Expenses:

In the accompanying statement of functional expenses, all expenses are allocated based upon the functions to which they relate. Salaries and the related expenses are allocated on estimates of time spent under each function. Costs of other expenses are allocated based on estimates of the amount spent per each functional category.

Cash and Cash Equivalents:

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable:

Accounts receivable 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. The balance of the bad debt valuation allowance at June 30, 2021 and 2020 is $45,000 and netted against accounts receivable on the statements of financial position.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment:

Acquisitions of property and equipment in excess of $500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation.

Depreciation of building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful life of the building is 25 to 40 years and the equipment is 5 to 10 years.

Income Tax Status:

The Organization is classified as tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Donated Services:

The Organization has a substantial number of volunteers that have donated significant amounts of their time in the Organization's program services and fund-raising campaigns. In accordance with generally accepted accounting principles, no amounts have been reflected in the financial statements for these services.

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 revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Note 3. Investments

The fair value of investment securities at June 30, 2021 and 2020 are as follows:

	2021	
	Cost	Fair Value
Money Market	$ 385,557	$ 385,557
U. S. Government Securities	139,778	135,228
Corporate and Other Bonds	87,929	87,553
Marketable Equity Securities	1,000,942	1,473,297
Mutual Funds	266,674	267,745
	$ 1,880,880	$ 2,349,380

Note 3. Investments (Continued)

	2020	
	Cost	Fair Value
Money Market	$ 358,689	$ 358,689
Marketable Equity Securities	1,071,977	1,185,048
Mutual Funds	267,091	271,341
	$ 1,697,757	$ 1,815,078

The components of investment income for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Interest and Dividends	$ 51,927	$ 58,660
Gain (Loss) on Investments	352,065	(61,200)
Investment Fees	(20,870)	(13,539)
Investment income (loss)	$ 383,122	$ (16,079)

Note 4. Land, Building and Equipment

Land, building and equipment (at cost) are summarized as follows:

	2021	2020
Land	$ 232,000	$ 232,000
Building	1,335,300	1,335,300
Leasehold improvements	548,075	548,075
Furniture and equipment	383,792	373,818
Computer equipment	42,678	42,678
Total land, building and equipment	2,541,845	2,531,871
Less Accumulated Depreciation	993,271	918,114
Net land, building and equipment	$ 1,548,574	$ 1,613,757

Note 5. Line of Credit

The Organization has a $75,000 unsecured line of credit with American National Bank & Trust Company. The line of credit has an interest rate of prime plus .50% and has no outstanding balance at June 30, 2021 and 2020.

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 consists of the following:

	2021	2020
Pledges receivable	$ 24,188	$ 40,200
Virginia Department of Health	-	30,000
Junior League	-	5,000
Glontz fund	16,132	16,235
Bazak book fund	2,229	2,126
Asthma Coalition	819	819
	$ 43,368	$ 94,380

Note 7. Board Designated Endowment

As of June 30, 2021, the Board of Directors had designated $2,349,380 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions.

Return Objectives and Risk Parameters:

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of five percent, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return above that of the average of several public market indexes. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels or risk.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current year (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Note 7. Board Designated Endowment (Continued)

Changes in endowment net assets for the years ending June 30, 2021 and 2020 are as follows:

Endowment net assets, June 30, 2019	$ 2,047,157
Contributions	4,000
Investment return, net	(16,079)
Amounts appropriated for expenditure	(220,000)
Endowment net assets, June 30, 2020	1,815,078
Contributions	2,000
Cash transfer	150,000
Investment return, net	382,302
Amounts appropriated for expenditure	-
Endowment net assets, June 30, 2021	$ 2,349,380

Note 8. Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements:

The fair values of marketable equity securities are based on the closing price reported on the active market where the individual securities are traded. The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held

Note 8. Fair Value Measurements (Continued)

Level 1 Fair Value Measurements: (Continued)

by the Organization are open-end mutual funds registered with the U. S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Organization are considered to be actively traded.

Level 2 Fair Value Measurements:

The fair values of corporate and other bonds and U. S. government securities are measured using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021 and 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2021:			
Money Market	$ 385,557	$ 385,557	$ -
U. S. Government Securities	135,228	-	135,228
Corporate and Other Bonds	87,553	-	87,553
Marketable Equity Securities	1,473,297	1,473,297	
Mutual Funds	267,745	267,745	-
	$ 2,349,380	$ 2,126,599	$ 222,781
June 30, 2020:			
Money Market	$ 358,689	$ 358,689	$ -
Marketable Equity Securities	1,185,048	1,185,048	-
Mutual Funds	271,341	271,341	-
	$ 1,815,078	$ 1,815,078	$ -

Note 9. Leases

The Organization leases a portion of a building to a tenant. Rental income for the years ending June 30, 2021 and 2020 was $37,750 and $36,474, respectively.

Note 10. Retirement Plan

The Organization provides retirement benefits to its employees through a 403(b) defined contribution plan covering employees working a minimum of 20 hours per week, with one year of eligible service. The Organization matches one half of employee contributions up to a maximum contribution of two and one-half percent (2-1/2%) of gross wages. Contributions to the plan during the years ended June 30, 2021 and 2020 were $11,671 and $13,735, respectively.

Note 11. Liquidity

The Organization manages its financial assets to ensure resources are available to meet obligations over the next twelve months. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	$ 235,561	$ 288,945
Receivables	310,605	332,333
Donor-imposed restrictions	(43,368)	(94,380)
United Way funding for partner agencies	(36,151)	(13,132)
Financial assets available for general expenditures	$ 466,647	$ 513,766

Note 12. Payment Protection Program Grant

The Organization received a loan in the amount of $259,400 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security (CARES) Act, and administered by the United States Small Business Administration. The entire amount of the loan has been forgiven based on meeting expenditure requirements within the specified period of 24 weeks from the date of loan funding. Therefore, loan forgiveness is reflected as grant income on the statement of activities for the year ended June 30, 2020.

Note 13. Subsequent Events

Management has evaluated subsequent events through October 25, 2021, the date which the financial statements were available to be issued.