

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

*THE POPE CPA FIRM, PA*

Certified Public Accountants

Charlotte, North Carolina

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Charlotte, North Carolina

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*THE POPE CPA FIRM, PA*  
Certified Public Accountants  
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Charlotte, North Carolina 28205-8000  
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Independent Auditors' Report

The Board of Directors  
Charlotte Community Health Clinic, Inc.  
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Charlotte Community Health Clinic, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlotte Community Health Clinic, Inc., as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*The Pope CPA Firm, PA*

Charlotte, North Carolina  
June 30, 2012

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Financial Position  
December 31, 2011

<b>Current Assets:</b>	
Cash	\$ 501,288
Unconditional promises to give	
United Way Funding for the next fiscal year	64,764
Government contract for the next fiscal year	100,000
Prepaid insurance	<u>517</u>
Total current assets	<u>666,569</u>
<b>Fixed Assets:</b>	
Furniture, equipment and leasehold improvements (net of accumulated depreciation of \$77,124)	<u>174,564</u>
<b>Total Assets</b>	<b>\$ <u>841,133</u></b>
<b>Current Liabilities:</b>	
Accounts payable	\$ 353,839
Grants payable	<u>40,946</u>
Total current liabilities	<u>394,785</u>
<b>Net Assets:</b>	
Unrestricted	281,384
Temporarily restricted	<u>164,964</u>
<b>Total Net Assets</b>	<b><u>446,348</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>841,133</u></b>

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Activities  
For the Year Ended December 31, 2011

UNRESTRICTED NET ASSETS

Support

Grants	\$ 99,300
Contributions	1,309,532
United Way	86,435
Patient fees	60,797
Fundraising events	11,598
Government contract	100,000
Miscellaneous	12,210
Net assets released from donors restrictions	<u>627,759</u>

Total Support 2,307,631

Expenses

Program services	1,944,993
General and administrative	205,209
Fundraising	<u>62,038</u>

Total Expenses 2,212,240

Increase in unrestricted net assets 95,391

TEMPORARILY RESTRICTED NET ASSETS

Grants	307,828
Government contract	100,000
United Way Services	64,764
Net assets released from donor restrictions	( <u>627,759</u> )

Decrease in Temporarily Restricted Net Assets ( 155,167 )

TOTAL DECREASE IN NET ASSETS ( 59,776 )

NET ASSETS, beginning of year 506,124

NET ASSETS, end of year \$ 446,348

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Cash Flows  
For the Year Ended December 31, 2011

Cash Flows from Operating Activities:	
Decrease in net assets	\$ ( 59,776)
Donated assets deducted as expense	1,020
Adjustments to reconcile change in net assets to net cash provided:	
Amortization and depreciation	30,559
Increase in receivables	(102,921)
Increase in accounts payable	324,399
Decrease in grants payable	( <u>62,362</u> )
Net cash provided by operating activities	130,919
Cash used for	
Furniture, equipment and leasehold improvements	( <u>141,123</u> )
Net decrease in cash	( 10,204)
Cash at beginning of year	<u>511,492</u>
Cash at end of year	\$ <u>501,288</u>

The accompanying notes to financial statements are an integral  
part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Functional Expenses  
For the Year Ended December 31, 2011

	Program Services	General and Administrative	Fund- raising	Total Expenses
Contributed services	\$ 350,684	\$ -	\$ -	\$ 350,684
Compensation	867,645	109,817	55,364	1,032,826
Lab work	136,449	-	-	136,449
Contractual services	38,980	-	-	38,980
Diagnostic services	334,801	-	-	334,801
Drugs	12,425	-	-	12,425
Patient aid	6,120	-	-	6,120
Waste disposal	1,356	42	-	1,398
Telecommunications and technical services	25,036	2,782	-	27,818
Postage	-	2,024	1,917	3,941
Professional fees	-	13,800	-	13,800
Staff development	-	6,676	-	6,676
Medical supplies	29,849	-	-	29,849
Other expense	-	2,997	-	2,997
Printing and reproduction	4,436	-	-	4,436
Rent-building	66,000	2,041	-	68,041
Organizational development	-	26,025	1,072	27,097
Volunteer development	-	4,246	-	4,246
Linen service	2,960	-	-	2,960
Insurance	-	7,643	-	7,643
Dues and fees	-	3,178	-	3,178
Repairs and maintenance	30,288	937	-	31,225
Office expenses	2,841	12,898	3,685	19,424
Security	2,933	100	-	3,033
Storage and moving	-	8,434	-	8,434
Telephone	3,200	-	-	3,200
Total expenses before depreciation	1,916,003	203,640	62,038	2,181,681
Amortization and depreciation	28,990	1,569	-	30,559
Total expenses	\$ <u>1,944,993</u>	\$ <u>205,209</u>	\$ <u>62,038</u>	\$ <u>2,212,240</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC , INC.

Notes to Financial Statements  
December 31, 2011

Note 1 - Nature of Organization

Charlotte Community Health Clinic, Inc. was formed on June 27, 2001 under the laws of the State of North Carolina as a non-profit, non-stock corporation. Its mission is to provide healthcare services including primary, acute episodic and chronic disease care services to low-income uninsured residents of the Mecklenburg County area. On May 16, 2011, the Clinic moved to a larger building (approximately 9200 square feet) in the same area as their old location and expanded their services to include health care to uninsured children. Significant leasehold improvements in the amount of \$86,959 were made to the location and maintenance costs also included a significant amount that may not be incurred on an ongoing basis. The Clinic is located in Charlotte, North Carolina.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Clinic's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

Charlotte Community Health Clinic, Inc. is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Charlotte Community Health Clinic, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2011.



### Income Taxes - continued

The Clinic recognizes the financial statement effects from a tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Clinic and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The Clinic believes that all its tax positions are more likely than not to be sustained upon examination.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Clinic considers all highly-liquid investments available for current use, with an initial maturity of three months or less, to be cash equivalents.

### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Clinic that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### Functional Allocation of Expenses

The costs of providing the medical program, fund raising and administration have been summarized on a functional basis in the statement of activities. Expenses that can be identified with the respective category are charged directly to the category. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

### Contributed Services

Contributed services are reported as contributions when they would typically need to be purchased by the Clinic if they had not been provided by contributions and if they require specialized skills and are provided by individuals with those skills.

### Estimates

The preparation of 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.

### Equipment and furniture

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Purchased property and equipment is stated at cost at date of acquisition. Expenditures that extend the life of the asset are capitalized while those relating to general repairs and maintenance are expensed. All property and equipment are depreciated using the straight-line method. Depreciation expense for the year ended December 31, 2011 was \$30,559.

### Note 3 - Contributed Services

During the year ended December 31, 2011, the value of contributed services meeting the requirements for recognition in the financial statements as contributions and as expense was as follows:

Professional services	\$ 350,684
Diagnostic services	262,973
Lab tests	119,572
Legal	6,562
Marketing	<u>5,000</u>
	\$ <u>744,791</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Clinic, but these services do not meet the criteria for recognition as contributed services. Management estimates the fair value of these services to be approximately \$ 51,000 for the year ended December 31, 2011.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consists of the following:

United Way Services-community care fund	\$ 64,764
Government contract	<u>100,000</u>
	\$ <u>164,764</u>

Note 5 - Service Agreements

Presbyterian Hospital Service Agreement

Presbyterian Hospital signed an agreement dated January 22, 2004 promising to pay certain salaries for the Clinic staff and furnish the space from which the Clinic operates and furnish diagnostic services. The agreement was extended through January 2011 in an amendment letter dated September 28, 2007 and has been renewed on an annual basis as allowed for in the agreement until a new agreement was reached on March 15, 2011. The initial term of the new agreement is for three years after which the agreement may be automatically renewed annually unless terminated by Presbyterian Hospital or the Clinic after a ninety day notice period. The following expenses were paid for the Clinic during 2011 by Presbyterian Hospital and are included as contributions and expenses in the accompanying financial statements:

Salaries, benefits and payroll taxes	\$ 401,689
Rent	<u>68,041</u>
	\$ <u>469,730</u>

Charlotte Community Health Clinic, Inc. has budgeted \$601,071 to be provided by Presbyterian Hospital for the Clinic for the year 2012.

Presbyterian Hospital also provides the diagnostic services described in footnote 3 above in the amount of \$262,973.

Other Service Agreement

On January 1, 2006, a service agreement with another North Carolina nonprofit corporation was entered into to provide prescription services to qualified patients of Charlotte Community Health Clinic, Inc. The agreement was for a term of one year and automatically renews for successive one year renewal terms. The agreement may be terminated at any time upon thirty days prior written notice. During 2011, the Clinic paid \$12,425 for medications with an average wholesale drug value of \$2,521,240.

**Note 6 - Concentration of Support**

As described in note 5, \$732,703 or thirty-two per cent of the support for the Clinic comes from Presbyterian Hospital.

**Note 7 - Net Asset Restrictions**

The Clinic received \$307,828 in temporarily restricted grants during the year ended December 31, 2011, and \$307,828 was used for the restricted purposes. During the year, an additional \$320,431 restricted grants received or awarded during the year ended December 31, 2010 were used for restricted purposes.

Additionally, as of December 31, 2011, promises to give consists of \$ 64,764 for United Way Services funding and \$100,000 from a government contract both of which are restricted for the next year. These are the only restricted net assets as of December 31, 2011.

**Note 8 - Uninsured Cash Balances**

The Clinic maintains cash deposits in a bank in Charlotte, North Carolina. Deposits are insured up to \$250,000. As of December 31, 2011 uninsured portions of balances at that bank aggregated to \$251,288. It is the opinion of management that the solvency of the referenced bank is not of particular concern at this time.

**Note 9 - Lease Contract**

An employee lease contract has been agreed upon between Novant Medical Group, Inc. and the Clinic as of March 22, 2011. The new employee lease contract requires the Clinic to pay approximately \$8,270 per month to Novant Medical Group, Inc. for leasing a part-time pediatric physician.

**Note 10 - Subsequent Events**

Subsequent events were evaluated through June 30, 2012, which is the date the financial statements were available to be issued.