

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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
5108 Monroe Road
Charlotte, North Carolina 28205-8000
(704)568-7960

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, 2010, 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, 2010, 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
August 10, 2011

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Financial Position
December 31, 2010

Current Assets:	
Cash, including interest bearing deposits	\$ 511,492
Unconditional promises to give United Way Funding for the next fiscal year	48,771
Pledges receivable	13,072
Prepaid insurance	<u>517</u>
Total current assets	<u>573,852</u>
Fixed Assets:	
Furniture, equipment and leasehold improvements (net of accumulated depreciation of \$53,689)	<u>65,020</u>
Total Assets	\$ <u>638,872</u>
Current Liabilities:	
Accounts payable	\$ 29,440
Grants payable	<u>103,308</u>
Total current liabilities	132,748
Net Assets:	
Unrestricted	186,193
Temporarily restricted	<u>319,931</u>
Total Net Assets	<u>506,124</u>
Total Liabilities and Net Assets	\$ <u>638,872</u>

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, 2010

UNRESTRICTED NET ASSETS	
Support	
Grants	\$ 26,000
Contributions	1,329,483
Patient fees	44,850
Fundraising events	14,559
Investment income	181
Miscellaneous	4,032
Net assets released from donors restrictions	<u>426,250</u>
Total Support	<u>1,845,355</u>
Expenses	
Program services	1,733,099
General and administrative	187,259
Fundraising	<u>57,997</u>
Total Expenses	<u>1,978,355</u>
Decrease in unrestricted net assets	(<u>133,000</u>)
TEMPORARILY RESTRICTED NET ASSETS	
Grants	573,143
United Way Services	116,230
Net assets released from donor restrictions	(<u>426,250</u>)
Increase in Temporarily Restricted Net Assets	<u>263,123</u>
TOTAL INCREASE IN NET ASSETS	130,123
NET ASSETS, beginning of year	<u>376,001</u>
NET ASSETS, end of year	\$ <u><u>506,124</u></u>

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, 2010

Cash Flows from Operating Activities:	
Increase in net assets	\$ 130,123
Adjustments to reconcile change in net assets to net cash provided:	
Amortization and depreciation	21,440
Decrease in receivables	24,683
Decrease in prepaid expense	1,312
Increase in accounts payable	16,701
Increase in grants payable	<u>48,969</u>
Net cash provided by operating activities	243,228
Cash used for	
Furniture and equipment	(<u>18,234</u>)
Net increase in cash	224,994
Cash at beginning of year	<u>286,498</u>
Cash at end of year	\$ <u>511,492</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, 2010

	Program <u>Services</u>	General and <u>Administrative</u>	Fund- raising	Total <u>Expenses</u>
Contributed services	\$ 526,227	\$ 51,119	\$ 51,119	\$ 628,465
Compensation	518,053	21,204	4,975	544,232
Lab work	112,210	-	-	112,210
Contractual services	26,379	-	-	26,379
Diagnostic services	402,087	-	-	402,087
Drugs	21,747	-	-	21,747
Patient aid	50	-	-	50
Health instructions	48	-	-	48
Utilities	10,736	3,578	-	14,314
Postage	-	1,417	1,341	2,758
Professional fees	-	19,616	-	19,616
Staff development	-	9,622	-	9,622
Medical supplies	23,129	-	-	23,129
Other expense	1,745	-	-	1,745
Printing and reproduction	5,252	1,313	-	6,565
Rent-building	53,080	17,693	-	70,773
Organizational development	-	31,708	-	31,708
Volunteer development	-	7,366	-	7,366
Linen service	2,315	-	-	2,315
Insurance	-	5,586	-	5,586
Cleaning	4,378	1,702	-	6,080
Licenses and permits	-	225	-	225
Repairs and maintenance	10,554	3,518	-	14,072
Office expenses	432	1,967	562	2,961
Security	-	811	-	811
Storage	-	2,051	-	2,051
Total expenses before amortization and depreciation	1,718,422	180,496	57,997	1,956,915
Amortization and depreciation	<u>14,677</u>	<u>6,763</u>	<u>-</u>	<u>21,440</u>
Total expenses	\$ <u>1,733,099</u>	\$ <u>187,259</u>	\$ <u>57,997</u>	\$ <u>1,978,355</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, 2010

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 who are 19 years of age and older. However, during the fall of 2010 the Clinic decided to expand its services to include children of the Mecklenburg County area (see Note 10). 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 2010.

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 various programs and other activities have been summarized on a functional basis in the statement of activities.

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, 2010 was \$21,440.

Note 3 - Contributed Services

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements as contributions and as expense was as follows:

Professional services	\$ 284,201
Diagnostic services	338,364
Lab tests	112,210
Legal	<u>7,097</u>
	\$ <u>741,872</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 \$ 62,000 for the year ended December 31, 2010.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consists of the following:

United Way Services-community care fund	\$ <u>48,771</u>
Pledges receivable-Presbyterian employer campaign	\$ <u>13,072</u>

An allowance has been provided for 20% of pledges receivable in the amount of \$3,268.

Note 5 - Service Agreements

Presbyterian Healthcare Service Agreement

Presbyterian Healthcare 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 laboratory services. The agreement is for three years

Note 5 - Service Agreement (Continued)

and shall renew automatically for additional one year terms. The agreement may be terminated by either party without cause upon at least ninety days prior written notice. The agreement was extended through January 2011 in an amendment letter dated September 28, 2007. A new agreement is in process with Presbyterian Hospital and has not been finalized as of August 10, 2011. The previous agreement will continue as written until the new agreement is accepted. The following expenses were paid for the Clinic during 2010 by Presbyterian Healthcare and are included as contributions and expenses in the accompanying financial statements:

Salaries, benefits and payroll taxes	\$ 344,259
Rent	70,773
Administration costs	<u>5,743</u>
	\$ <u>420,775</u>

Presbyterian Healthcare has budgeted \$322,222 to pay these expenses for the Clinic for the year 2011.

Presbyterian Healthcare also provides the diagnostic services described in footnote 3 above in the amount of \$338,364. Charlotte Community Health Clinic has budgeted \$425,000 to be provided from Presbyterian Hospital for these services for the year 2011.

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 2010, the Clinic paid \$6,900 for medications with an average wholesale drug value of \$1,315,036.

Note 6 - Concentration of Support

As described in note 5, \$759,139 or forty-three per cent of the support for the Clinic comes from Presbyterian Healthcare.

Note 7 - Net Asset Restrictions

The Clinic received \$573,143 in temporarily restricted grants during the year ended December 31, 2010, and \$358,791 was used for the restricted purposes.

Note 7 - Net Asset Restrictions (Continued)

Additionally, as of December 31, 2010, promises to give consists of \$ 48,771 for United Way Services funding for the next year.

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, 2010 uninsured portions of balances at that bank aggregated to \$261,492. It is the opinion of management that the solvency of the referenced bank is not of particular concern at this time.

Note 9 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through August 10, 2011.

Note 10 - Subsequent Events

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. Of the \$319,931 restricted net assets held December 31, 2010, \$214,352 is restricted to the expansion of these pediatric services.

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.

The Clinic has applied to become a Federally Qualified Health Clinic in order to receive annual federal funding. As of August 10, 2011 the application has not been approved.