

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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
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Independent Auditors' Report

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

We have audited the accompanying statements of Charlotte Community Health Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 judgement, 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.

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Pope CPA Firm, PA

Charlotte, North Carolina
June 30, 2014

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Financial Position
December 31, 2013

Current Assets:	
Cash	\$ 906,553
Unconditional promises to give (Note 4)	370,136
Prepaid expenses	3,433
Grants receivable	<u>54,682</u>
Total current assets	<u>1,334,804</u>
Fixed Assets:	
Furniture, equipment and leasehold improvements (net of accumulated depreciation of \$ 145,602)	<u>127,772</u>
Total Assets	\$ <u>1,462,576</u>
Current Liabilities:	
Accounts payable	\$ 472,355
Grants payable	<u>10,571</u>
Total current liabilities	<u>482,926</u>
Net Assets:	
Unrestricted	609,514
Temporarily restricted	<u>370,136</u>
Total Net Assets	<u>979,650</u>
Total Liabilities and Net Assets	\$ <u>1,462,576</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, 2013

UNRESTRICTED NET ASSETS	
Support	
Grants	\$ 609,658
Contributions	1,901,969
Patient fees	98,274
Miscellaneous	4,492
Net assets released from donors restrictions	<u>429,008</u>
Total Support	<u>3,043,401</u>
Expenses	
Program services	2,477,558
General and administrative	293,233
Fundraising	<u>99,841</u>
Total Expenses	<u>2,870,632</u>
Increase in unrestricted net assets	<u>172,769</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants	283,703
Government contract	125,000
United Way Services	190,265
Net assets released from donor restrictions	(<u>429,008</u>)
Increase in Temporarily Restricted Net Assets	<u>169,960</u>
TOTAL INCREASE IN NET ASSETS	342,729
NET ASSETS, beginning of year	<u>636,921</u>
NET ASSETS, end of year	\$ <u>979,650</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, 2013

Cash Flows from Operating Activities:	
Increase in net assets	\$ 342,729
Adjustments to reconcile change in net assets to net cash provided:	
Amortization and depreciation	32,611
Increase in receivables	(208,215)
Increase in prepaid expenses	(2,917)
Increase in accounts payable	67,275
Decrease in grants payable	(<u>13,434</u>)
Net cash provided by operating activities	218,049
Cash used for	
Furniture, equipment and leasehold improvements	(<u>8,087</u>)
Net increase in cash	209,964
Cash at beginning of year	<u>696,589</u>
Cash at end of year	\$ <u>906,553</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, 2013

	Program Services	General and Administrative	Fund- raising	Total Expenses
Contributed services	\$ 208,384	\$ -	\$ -	\$ 208,384
Compensation	957,808	190,820	88,051	1,236,679
Lab work	162,401	-	-	162,401
Contractual services	26,570	6,228	-	32,798
Diagnostic services	772,386	-	-	772,386
Drugs	21,685	-	-	21,685
Janitorial	12,338	381	-	12,719
Waste disposal	1,606	-	-	1,606
Technical services	11,350	-	-	11,350
Postage	2,400	-	3,599	5,999
Professional fees	-	22,150	-	22,150
Staff development	2,000	8,164	-	10,164
Medical supplies	23,157	-	-	23,157
Other expense	-	6,683	-	6,683
Printing/reproduction	-	3,950	60	4,010
Rent-building	199,274	6,163	-	205,437
Organizational	-	-	6,253	6,253
Volunteer development	4,937	-	-	4,937
Linen service	5,754	-	-	5,754
Insurance	-	9,521	-	9,521
Dues, fees, licenses	-	9,934	-	9,934
Repairs/maintenance	21,226	-	633	21,859
Office supplies	-	10,599	1,178	11,777
Security	2,679	83	-	2,762
Cell phones	1,377	2,607	-	3,984
Utilities	20,310	628	-	20,938
Education	<u>2,694</u>	<u>-</u>	<u>-</u>	<u>2,694</u>
Total expenses before depreciation	2,460,336	277,911	99,774	2,838,021
Amortization and depreciation	<u>17,222</u>	<u>15,322</u>	<u>67</u>	<u>32,611</u>
Total expenses	\$ <u>2,477,558</u>	\$ <u>293,233</u>	\$ <u>99,841</u>	\$ <u>2,870,632</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, 2013

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 adult and children residents of the Mecklenburg County area. 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 2013.

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 2011, 2012, and 2013 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, 2013 was \$32,611.

Note 3 - Contributed Services

During the year ended December 31, 2013, the value of contributed services meeting the requirements for recognition in the financial statements as contributions and as expense was as follows:

Professional services	\$ 208,384
Diagnostic services	717,564
Lab tests	162,401
Legal fees	<u>8,750</u>
	\$ <u>1,097,099</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 \$166,372 for the year ended December 31, 2013.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consists of the following grants restricted by payment terms until 2014:

United Way Services-community care fund	\$ 95,136
Mecklenburg County	125,000
Duke Endowment	<u>150,000</u>
	\$ <u>370,136</u>

Note 5 - Service Agreements

Novant Health Presbyterian Medical Center Service Agreement

Novant Health Presbyterian Medical Center 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 Novant Health Presbyterian Medical Center or the Clinic after a ninety day notice period. The following expenses were paid for the Clinic during 2013 by Novant Health Presbyterian Medical Center and are included in contribution revenue and expenses in the accompanying financial statements:

Salaries, benefits and payroll taxes	\$ 435,609
Rent	205,437
Other expense	<u>33,166</u>
	\$ <u>674,212</u>

Novant Health Presbyterian Medical Center also provides the diagnostic services described in footnote 3 above in the amount of \$ 717,514.

Charlotte Community Health Clinic, Inc. has budgeted \$1,111,926 to be provided by Novant Health Presbyterian Medical Center for the Clinic for the year 2014.

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 2012, the Clinic paid \$20,808 for medications and medical supplies with an average wholesale drug value of \$2,725,605.

Note 6 - Concentration of Support

As described in note 5, \$1,391,726 or forty-four per cent of the support for the Clinic comes from Novant Health Presbyterian Medical Center.

Note 7 - Net Asset Restrictions

The Clinic received \$557,816 in temporarily restricted grants during the year ended December 31, 2013, and \$207,680 was used for the restricted purposes. During the year, an additional \$200,176 restricted grants awarded during the year ended December 31, 2012 were used for restricted purposes.

Additionally, as of December 31, 2013, promises to give consists of \$ 95,136 for United Way Services funding and \$125,000 from Mecklenburg County and \$150,000 from Duke Endowment all of which are restricted for the next year. These are the only restricted net assets as of December 31, 2013.

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, 2013 uninsured portions of balances at that bank aggregated to \$379,264. 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

The Clinic's sub-lease with Novant Health, Inc. (formerly known as Presbyterian Health Services, Corp.) was terminated April 11, 2014.

The Clinic moved to another location during April, 2014 which is being sub-leased from Novant Health, Inc. for one dollar a month.

Note 10 - Subsequent Events (continued)

As a result of the lease termination, the Clinic is estimating that a loss \$61,236 will be incurred during the year 2014 as a result of discarding leasehold improvements at the old location.

Subsequent events were evaluated through June 30, 2014, which is the date the financial statements were available to be issued.