

NEIGHBORHOOD HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

NEIGHBORHOOD HEALTH CLINIC, INC.
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YEAR ENDED SEPTEMBER 30, 2011

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Neighborhood Health Clinic, Inc.
Naples, Florida

We have audited the accompanying statement of financial position of Neighborhood Health Clinic, Inc. (the Organization), a nonprofit organization, as of September 30, 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 the Organization as of September 30, 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.

As discussed in Note 11 to the financial statements, an error resulting in an overstatement of previously reported permanently restricted net assets and an understatement of previously reported unrestricted net assets as of September 30, 2010, was discovered by management during the current year. Accordingly, an adjustment has been made to permanently restricted and unrestricted net assets as of September 30, 2010 to correct the error.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Naples, Florida
January 4, 2012

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

Cash and Cash Equivalents	\$	712,739
Board Designated Cash and Cash Equivalents		130,511
Investments, Unrestricted		2,138,059
Unconditional Promises to Give and Grants Receivable, Net		100,202
Inventory and Other Assets		84,862
Assets Held Under Split-Interest Agreements and Trust Receivable, Net		1,014,736
Property and Equipment, Net		2,169,967
Cash and Investments, Endowment		<u>1,137,623</u>
Total Assets	\$	<u><u>7,488,699</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$	77,237
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NET ASSETS

Unrestricted:		
Undesignated		2,928,808
Invested in Property and Equipment		2,169,967
Board designated - Future Estimated Repairs and Replacement Costs		<u>130,511</u>
Total Unrestricted		5,229,286
Temporarily Restricted		1,080,216
Permanently Restricted		<u>1,101,960</u>
Total Net Assets		<u><u>7,411,462</u></u>

Total Liabilities and Net Assets	\$	<u><u>7,488,699</u></u>
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See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 713,357	\$ 1,080,216	\$ 74,666	\$ 1,868,239
Contributed Services and Supplies	3,579,480	-	-	3,579,480
Patient Service Fees	148,642	-	-	148,642
Special Events Income	566,681	-	-	-
Less: Direct Expenses	<u>(109,311)</u>	-	-	457,370
Investment Return	3,286	-	-	3,286
Total Support and Revenues	<u>4,902,135</u>	<u>1,080,216</u>	<u>74,666</u>	<u>6,057,017</u>
Net Assets Released from Restrictions	<u>57,911</u>	<u>(57,911)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and and Reclassifications	4,960,046	1,022,305	74,666	6,057,017
EXPENSES				
Program Services	4,309,897	-	-	4,309,897
Management and General	288,501	-	-	288,501
Fund-Raising	82,008	-	-	82,008
Total Expenses	<u>4,680,407</u>	<u>-</u>	<u>-</u>	<u>4,680,407</u>
CHANGE IN NET ASSETS	279,639	1,022,305	74,666	1,376,610
Net Assets - Beginning of Year	4,252,473	57,911	1,724,468	6,034,852
Transfer Between Funds	697,174	-	(697,174)	-
Net Assets - Beginning of Year, As Restated	<u>4,949,647</u>	<u>57,911</u>	<u>1,027,294</u>	<u>6,034,852</u>
NET ASSETS - END OF YEAR	<u>\$ 5,229,286</u>	<u>\$ 1,080,216</u>	<u>\$ 1,101,960</u>	<u>\$ 7,411,462</u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011

	Program Services	Management and General	Fund- Raising	Total
Advertising and Promotion	\$ 180	\$ 7,890	\$ 9,864	\$ 17,934
Depreciation	63,591	12,408	1,551	77,550
Donated Services and Goods	3,553,100	-	-	3,553,100
Dues and Subscriptions	491	265	-	756
Insurance	12,167	10,406	297	22,870
Investment Expense	-	15,136	-	15,136
Medical and Pharmacy Supplies	5,779	-	-	5,779
Office Supplies	6,661	7,612	144	14,417
Other Expenses	-	4,044	20	4,064
Pharmaceuticals	103,580	-	-	103,580
Postage and Shipping	2,813	617	-	3,430
Printing and Publications	2,475	1,021	432	3,928
Professional Fees	146,034	32,003	53	178,090
Radiology and Other Fees	63,083	-	-	63,083
Repair and Maintenance	50,676	9,158	1,222	61,057
Salaries and Benefits	273,004	179,766	67,655	520,425
Telephone	7,187	1,402	175	8,765
Travel and Entertainment	2,737	3,584	196	6,517
Utilities	16,339	3,188	399	19,926
TOTAL EXPENSES	\$ 4,309,897	\$ 288,501	\$ 82,008	\$ 4,680,407

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,376,610
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Allowance and Net Present Value Discount	168,564
Depreciation	77,550
Loss on Disposal of Property and Equipment	1,060
In-Kind Donation of Equipment	(37,000)
Realized Losses on Investments	174,678
Unrealized Gains on Investments	(72,331)
Contributions Restricted for Long-Term Purposes	(75,000)
(Increase) Decrease in:	
Inventory and Other Assets	15,056
Grant Receivable	4,658
Assets Held Under Split Interest Agreement and Trust Receivable	(1,175,366)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	32,533
Deferred Revenue	(9,500)
Net Cash Provided by Operating Activities	<u>481,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	2,080,255
Purchase of Investments	(2,435,123)
Purchase of Property and Equipment	(36,361)
Net Cash (Used by) Investing Activities	<u>(391,229)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection of Contributions Restricted for Long-Term Purposes	28,367
Transfer of Cash Restricted for Long-Term Purposes	(68,188)
Net Cash (Used by) Financing Activities	<u>(39,821)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	50,462
Cash and Cash Equivalents - Beginning of Year	<u>792,788</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 843,250</u>
Cash and Cash Equivalents	\$ 712,739
Board Designated Cash and Cash Equivalents	<u>130,511</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 843,250</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u>\$ -</u>
Cash Paid for Income Taxes	<u>\$ -</u>
NONCASH INVESTING TRANSACTION	
In-Kind Donation of Equipment	<u>\$ 37,000</u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Neighborhood Health Clinic, Inc. (the Organization) is a Florida not-for-profit corporation organized in 1999. Its purpose is to deliver quality medical care to low-income, working, but uninsured people of Collier County using primarily volunteer professional staff. The Organization is supported primarily through donations, patient contributions, special events, and grants. The Organization does not accept any government funding or support.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred.

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with the reporting principles of not-for-profit accounting.

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those net assets, which the board has set aside for a particular purpose.

Temporarily restricted – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or the passage of time. Such assets normally fund specific expenditures of a specific operating or capital nature.

Permanently restricted – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Organization. Such assets are normally restricted to long-term investment with income earned and appreciation available for specific or general Organization purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all bank and similar deposits, demand accounts, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents. The Organization maintains bank accounts with balances, which, at times, may exceed federally insured limits.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of pharmaceuticals and medical supplies and is stated at lower of cost (first-in, first-out method) or market.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is to be received. Conditional promises to give are not included in support until such time as the conditions are substantially met.

Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

Investments are carried at fair value determined by quoted prices on the last business day of the fiscal year. Donated investments are recorded at fair value at the date of receipt. Investment income may be either unrestricted or temporarily restricted when earned, determined according to donor-imposed restrictions. The Organization follows a total-return concept with regard to investments, as such, unrealized appreciation on temporarily restricted net assets is considered to be unrestricted.

Fair Value Measurement

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The fair value hierarchy consists of three levels of inputs used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity

The Organization also follows the fair value option for financial assets and liabilities standard. This standard allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Organization has not elected to measure any newly acquired financial instruments at fair value at September 30, 2011 as permitted. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Property and Equipment

The Organization records property and equipment at cost when purchased or at fair market value when donated. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor use restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. For the year ended September 30, 2011, donated assets totaled \$37,000 and were unrestricted.

The Organization capitalizes expenditures for personal property and betterments over \$1,000 and uses the straight-line method of depreciation calculated over the estimated useful life of the asset, ranging from three to seven years for furniture and equipment, and 40 years for buildings and improvements.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held Under Split Interest Agreements and Trust Receivable

The Organization is the beneficiary of a charitable remainder trust being held by a financial institution. Under the trust agreement, specified amounts or percentages of funds invested are payable to the donor or the donor's designee, for life. Upon the death of the lifetime beneficiary, the balance of the investment is to be paid to the Organization. The Organization has recorded as assets the present value of its estimated beneficial interest in this gift. The gift is valued using a discount rate of 5% over the estimated life expectancy of the annuitant. In addition, the Organization is a named beneficiary in an estate. The amount is recorded at its estimated net present value.

Contributions

Contributions are recognized by the organization when the donor makes an unconditional promise to give. All 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. Time and use restricted contributions from donors are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

Contributed Services and Supplies

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or require specialized skills, and are provided by individuals possessing such specialized skills and the services would have been purchased if not donated. Contributed services consisting principally of physician, nursing, and other medical personnel totaling \$3,553,100 during the year ended September 30, 2011, and has been reflected in the accompanying financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, fund-raising activities and various committee assignments; however, no amounts have been reflected in the financial statements, as these services do not meet the criteria for recognition.

The Organization provides substantially all of their patients' medications through drug manufacturer patient assistance programs. As allowed by current accounting standards, the Organization chooses not to record these contributions or the ensuing liability to the ultimate beneficiary. Although not recorded, the value of the medication dispensed during 2011 was estimated to be approximately \$2,615,000.

Functional Expenses

The cost of providing program and support services has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEIGHBORHOOD HEALTH CLINIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service (IRS) has determined that the Organization is a not-for-profit organization that is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and is treated as other than a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This standard has no impact on the Organization's financial statements. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. An Exempt Organization Business Income Tax Return (Form 990) is filed annually by the Organization. The tax returns from the tax years ended 2007 through 2009 are open to examination by the IRS.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 4, 2012, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at September 30, 2011 consist of the following:

	Cost	Fair Value
Domestic Equities	\$ 727,851	\$ 760,427
Mutual Funds - Equities	428,741	412,709
Corporate Bonds	511,629	524,572
Mutual Funds - Fixed Income	431,132	433,995
Municipal Bonds	679,950	689,325
US Treasury Obligations	380,863	386,466
	<u>\$ 3,160,166</u>	<u>\$ 3,207,494</u>

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2 INVESTMENTS (CONTINUED)

Investments are included in the accompanying statement of financial position as follows:

Investments, Unrestricted	\$ 2,138,059
Cash and Investments, Endowment	1,137,623
Cash included in Cash and Investments, Endowment	(68,188)
	<u>\$ 3,207,494</u>

Investment return consists of the following:

Interest and Dividends	\$ 105,732
Realized Investment Gains	72,231
Change in Unrealized Gains	(174,677)
	<u>\$ 3,286</u>

The Organization's corporate and municipal bonds and U.S. treasury obligations consist of the following at September 30, 2011:

Face Value	Maturity Date	Interest Rate	Cost	Market Value
\$ 331,000	2012	1.50% - 7.25%	\$ 333,006	\$ 334,946
425,000	2013	1.75% - 5.75%	430,833	441,313
275,000	2014	1.50% - 6.375%	284,642	290,589
265,000	2015	2.125% - 5.00%	271,054	275,180
250,000	2016	1.00% - 4.70%	252,907	258,335
<u>\$ 1,546,000</u>			<u>\$ 1,572,442</u>	<u>\$ 1,600,363</u>

NOTE 3 FAIR VALUE MEASUREMENT

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2011:

	Level 1	Level 2	Level 3	Total
Domestic Equities	\$ 760,427	\$ -	\$ -	\$ 760,427
Mutual Funds - Equities	-	412,709	-	412,709
Corporate Bonds	524,572	-	-	524,572
Mutual Funds - Fixed Income	-	433,995	-	433,995
Municipal Bonds	-	689,325	-	689,325
US Treasury Obligations	-	386,466	-	386,466
Assets Held Under Split				
Interest Agreements	-	-	1,014,736	1,014,736
Total	<u>\$ 1,284,999</u>	<u>\$ 1,922,495</u>	<u>\$ 1,014,736</u>	<u>\$ 4,222,230</u>

NEIGHBORHOOD HEALTH CLINIC, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

Mutual funds – equities and fixed income, municipal bonds and US treasury obligations are measured at fair value utilizing market prices at the close of the last business day for the statement period, provided by the investment advisors.

Assets held under split interest agreements are measured at fair value utilizing estimates of split interest agreement assets utilizing market prices at the close of the last business day for the statement period, in addition to information provided by the agreement trustee.

A roll forward of Level 3 assets measured at fair value at September 30, 2011 is as follows:

Level 3 Assets Held Under Split Interest Agreements:	
Balance at September 30, 2010	\$ -
Split-Interest Agreement and Trust Receivable Receipts	1,175,366
Less: Valuation Allowance	(160,630)
Balance at September 30, 2011	<u>\$ 1,014,736</u>

NOTE 4 UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE, NET

Unconditional promises to give and grants receivable consist of the following at September 30, 2011:

Unconditional Promises to Give	\$ 94,517
Grants Receivable	36,459
Less: Discount to Net Present Value	(10,774)
Less: Allowance for Uncollectible Accounts	(20,000)
	<u>\$ 100,202</u>

Unconditional promises to give and grants receivable are scheduled to be received as follows:

1 Year or Less	\$ 54,476
2 to 5 Years	76,500
	<u>\$ 130,976</u>

NOTE 5 ASSETS HELD UNDER SPLIT INTEREST AGREEMENT AND TRUST RECEIVABLE

Assets held under split interest agreement and trust receivable consist of the following as of September 30, 2011:

Trust Receivable	\$ 950,000
Assets Held Under Split Interest Agreement	225,366
Less: Valuation Allowance	(160,630)
	<u>\$ 1,014,736</u>

In December, 2011, the Organization received an installment of \$936,416 from the trust. A second installment is anticipated by the trustee in March, 2012 once various settlement payments have been made.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2011 consists of the following.

Buildings	\$ 1,632,519
Land	775,000
Furniture and Equipment	234,711
Building Improvements	37,285
Computer Hardware and Software	99,187
	<u>2,778,702</u>
Less: Accumulated Depreciation	<u>(608,735)</u>
	<u>\$ 2,169,967</u>

Depreciation expense for the year ended September 30, 2011 totaled \$77,550.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2011, were restricted by donors for the following purposes:

Medications/Health Awareness	\$ 65,480
Receivables from Trusts and Charitable Trusts	1,014,736
	<u>\$ 1,080,216</u>

Temporarily restricted net assets released from donor-imposed restrictions during the year ended September 30, 2011, consist of \$57,911 of net assets restricted for medications/health awareness.

NOTE 8 BENEFIT PLAN

The Organization has a SIMPLE IRA for the benefit of its employees. Employees are eligible to participate upon hire and immediately vest in employer contributions. The Organization matches employee contributions up to a maximum of 3%. For the year ended September 30, 2011, the Organization contributed \$6,397 to the plan.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9 ENDOWMENT

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment is donor restricted and its income is to be used for operations and other administrative costs. Annually, the board can transfer up to 5% of the market value of the account to be used for operations, as discussed below in "Investment Policies". There is no board designated endowment.

Interpretation of Relevant Law

The board of directors has interpreted the relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 fund. The Organization considers all earnings on endowment funds to be appropriated and available for current year operations.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, as of September 30, 2011 deficiencies of this nature that are reported in unrestricted net assets were \$0.

Investment Policies

The Organization has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies and procedures that are authorized by the board. These guidelines, policies and procedures shall attempt to provide a predictable stream of funding to programs supported by the endowment funds. The endowment investment policy allows the board of directors to distribute up to 5% of the value of the endowment for operations each year. However, if the board elects not to distribute any earnings, those funds remain in the endowment. The annual decision is non-cumulative; consequently, no greater than 5% of the value of the endowment can be distributed in any given year. The board elected not to make any distributions during the year ended September 30, 2011.

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9 ENDOWMENT (CONTINUED)

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, September 30, 2010	\$ 160,910	\$ 1,027,294	\$ 1,188,204
Contributions	-	74,666	74,666
Investment Return (Loss):			
Investment Income	40,272	-	40,272
Investment Expenses	(9,691)	-	(9,691)
Decrease in Value	(92,086)	-	(92,086)
Total Investment Return (Loss)	(61,505)	-	(61,505)
Amounts Appropriated for Expenditure	-	-	-
Endowment Net Assets, September 30, 2011	<u>\$ 99,405</u>	<u>\$ 1,101,960</u>	<u>\$ 1,201,365</u>

NOTE 10 CONCENTRATIONS

For the year ending September 30, 2011, one donor contributed 57% of total contributions, excluding donated services and supplies.

NOTE 11 RESTATEMENT OF SEPTEMBER 30, 2010 FINANCIAL STATEMENTS

During the year ended September 30, 2011, management discovered an error resulting in an overstatement of previously reported permanently restricted net assets and an understatement of previously reported unrestricted net assets. The September 30, 2010 financial statements have been restated and the effect of the restatement on these accounts is as follows:

	<u>September 30, 2010 Originally Reported</u>	<u>Correction of Error</u>	<u>September 30, 2010 As Restated</u>
Statement of Financial Position:			
Unrestricted Net Assets	\$ 4,252,473	\$ 697,174	\$ 4,949,647
Permanently Restricted Net Assets	1,724,468	(697,174)	1,027,294