

NEIGHBORHOOD HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

**NEIGHBORHOOD HEALTH CLINIC, INC.
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CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Neighborhood Health Clinic, Inc. (the Organization) which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Health Clinic, Inc. as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
January 3, 2014

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	\$ 498,693	\$ 540,424
Board Designated Cash and Cash Equivalents	238,733	186,478
Investments, Unrestricted	4,035,525	3,670,338
Unconditional Promises to Give, Net and Grant Receivable	23,685	74,153
Inventory and Other Assets	77,538	85,898
Assets Held Under Split-Interest Agreements, Net	122,524	64,736
Property and Equipment, Net	2,208,540	2,125,956
Cash and Investments, Endowment	12,068,694	1,404,587
Total Assets	\$ 19,273,932	\$ 8,152,570
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	76,374	29,841
Deferred Revenue	34,100	7,500
Total Liabilities	110,474	37,341
NET ASSETS		
Unrestricted:		
Undesignated	4,465,037	4,215,237
Invested in Property and Equipment	2,208,540	2,125,956
Board Designated - Future Estimated Repairs and Replacement Costs	238,733	186,478
Total Unrestricted	6,912,310	6,527,671
Temporarily Restricted	1,128,629	477,098
Permanently Restricted	11,122,519	1,110,460
Total Net Assets	19,163,458	8,115,229
Total Liabilities and Net Assets	\$ 19,273,932	\$ 8,152,570

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 1,151,825	\$ 83,730	\$ 10,012,059	\$ 11,247,614
Contributed Services and Supplies	3,358,240	-	-	3,358,240
Patient Service Fees	141,374	-	-	141,374
Special Events Income	\$ 435,085	-	-	-
Less: Direct Expenses	<u>(116,319)</u>	-	-	318,766
Investment Return	<u>213,836</u>	<u>644,707</u>	-	<u>858,543</u>
Total Support and Revenues	5,184,041	728,437	10,012,059	15,924,537
Net Assets Released from Restrictions	<u>134,694</u>	<u>(134,694)</u>	-	-
Total Support, Revenues and and Reclassifications	5,318,735	593,743	10,012,059	15,924,537
EXPENSES				
Program Services	4,536,154	-	-	4,536,154
Management and General	262,268	-	-	262,268
Fund-Raising	<u>135,674</u>	-	-	<u>135,674</u>
Total Expenses	4,934,096	-	-	4,934,096
Change in Value of Split-Interest Agreement	-	<u>57,788</u>	-	<u>57,788</u>
CHANGE IN NET ASSETS	384,639	651,531	10,012,059	11,048,229
Net Assets - Beginning of Year	<u>6,527,671</u>	<u>477,098</u>	<u>1,110,460</u>	<u>8,115,229</u>
NET ASSETS - END OF YEAR	<u>\$ 6,912,310</u>	<u>\$ 1,128,629</u>	<u>\$ 11,122,519</u>	<u>\$ 19,163,458</u>

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 1,038,541	\$ 76,968	\$ 8,500	\$ 1,124,009
Contributed Services and Supplies	3,589,180	-	-	3,589,180
Patient Service Fees	167,616	-	-	167,616
Special Events Income	\$ 416,067			
Less: Direct Expenses	<u>(103,558)</u>	312,509	-	312,509
Investment Return	163,442	241,264	-	404,706
Total Support and Revenues	<u>5,271,288</u>	<u>318,232</u>	<u>8,500</u>	<u>5,598,020</u>
Net Assets Released from Restrictions	<u>1,020,755</u>	<u>(1,020,755)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and and Reclassifications	<u>6,292,043</u>	<u>(702,523)</u>	<u>8,500</u>	<u>5,598,020</u>
EXPENSES				
Program Services	4,394,319	-	-	4,394,319
Management and General	403,849	-	-	403,849
Fund-Raising	96,085	-	-	96,085
Total Expenses	<u>4,894,253</u>	<u>-</u>	<u>-</u>	<u>4,894,253</u>
CHANGE IN NET ASSETS	1,397,790	(702,523)	8,500	703,767
Net Assets - Beginning of Year	<u>5,129,881</u>	<u>1,179,621</u>	<u>1,101,960</u>	<u>7,411,462</u>
NET ASSETS - END OF YEAR	<u>\$ 6,527,671</u>	<u>\$ 477,098</u>	<u>\$ 1,110,460</u>	<u>\$ 8,115,229</u>

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013**

	Program Services	Management and General	Fund- Raising	Total
Advertising and Promotion	\$ -	\$ 14,451	\$ 1,501	\$ 15,952
Bad Debt Expense	-	15,500	-	15,500
Depreciation	73,561	6,539	1,635	81,735
Donated Services and Goods	3,355,075	-	-	3,355,075
Dues and Subscriptions	-	1,115	-	1,115
Insurance	62,418	5,062	1,624	69,104
Investment and Bank Fees	-	69,894	8,652	78,546
Medical and Pharmacy Supplies	61,588	-	-	61,588
Office Supplies	6,294	2,186	750	9,230
Other Expenses	61	672	-	733
Payroll Taxes	41,942	8,606	7,571	58,119
Pharmacy	4,956	-	-	4,956
Pharmaceuticals	70,220	-	-	70,220
Postage and Shipping	2,729	310	65	3,104
Printing and Publications	1,650	2,393	83	4,126
Professional Fees	160,524	22,497	8,497	191,518
Radiology and Other Fees	63,014	-	-	63,014
Repair and Maintenance	43,480	4,171	972	48,623
Salaries and Benefits	541,486	97,002	103,094	741,582
Telephone	11,371	1,011	253	12,635
Transcriptions/Patients Support	14,026	-	-	14,026
Travel and Entertainment	2,573	8,274	546	11,393
Utilities	19,186	2,585	431	22,202
Total Expenses	\$ 4,536,154	\$ 262,268	\$ 135,674	\$ 4,934,096

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012**

	Program Services	Management and General	Fund- Raising	Total
Advertising and Promotion	\$ -	\$ 13,724	\$ 309	\$ 14,033
Depreciation	62,649	12,224	1,528	76,401
Donated Services and Goods	3,561,387	-	-	3,561,387
Dues and Subscriptions	1,129	61	-	1,190
Insurance	16,187	7,534	374	24,095
Investment and Bank Fees	-	22,417	-	22,417
Medical and Pharmacy Supplies	5,617	-	-	5,617
Office Supplies	11,343	6,421	735	18,499
Other Expenses	9,896	983	2,863	13,742
Pharmaceuticals	133,420	-	-	133,420
Postage and Shipping	1,250	1,894	102	3,246
Professional Fees	185,152	30,043	113	215,308
Radiology and Other Fees	46,522	-	-	46,522
Repair and Maintenance	50,987	6,351	1,051	58,389
Salaries and Benefits	282,803	257,711	88,195	628,709
Severance Pay	-	39,203	-	39,203
Telephone	8,810	1,229	205	10,244
Travel and Entertainment	-	1,659	211	1,870
Utilities	17,167	2,395	399	19,961
Total Expenses	\$ 4,394,319	\$ 403,849	\$ 96,085	\$ 4,894,253

See accompanying Notes to Financial Statements.

NEIGHBORHOOD HEALTH CLINIC, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 11,048,229	\$ 703,767
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Allowance and Net Present Value Discount	(57,788)	-
Bad Debt Expense	15,500	-
Depreciation	81,735	76,401
In-Kind Donation of Equipment	-	(7,500)
Realized Gains Losses on Investments	(96,544)	(50,215)
Unrealized Gains on Investments	(579,901)	(222,553)
Contributions Restricted for Long-Term Purposes	(10,004,200)	(25,783)
Donated Securities	(37,395)	(18,354)
(Increase) Decrease in:		
Inventory and Other Assets	8,360	(1,036)
Unconditional Promises to Give and Grant Receivable	19,768	33,832
Assets Held Under Split Interest Agreement and Trust Receivable	-	950,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	46,533	(42,396)
Deferred Revenue	26,600	2,500
Net Cash Provided by Operating Activities	470,897	1,398,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	19,814,964	2,626,548
Purchase of Investments	(30,229,857)	(4,048,303)
Purchase of Property and Equipment	(164,319)	(24,890)
Net Cash Used by Investing Activities	(10,579,212)	(1,446,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of Contributions Restricted for Long-Term Purposes	10,019,400	18,000
Transfer of Cash Restricted for Long-Term Purposes	99,439	(86,366)
Net Cash Provided (Used) by Financing Activities	10,118,839	(68,366)
CHANGE IN CASH AND CASH EQUIVALENTS	10,524	(116,348)
Cash and Cash Equivalents - Beginning of Year	726,902	843,250
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 737,426	\$ 726,902
Cash and Cash Equivalents	\$ 498,693	\$ 540,424
Board Designated Cash and Cash Equivalents	238,733	186,478
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 737,426	\$ 726,902
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Income Taxes	\$ -	\$ -
NONCASH INVESTING TRANSACTION		
In-Kind Donation of Equipment	\$ -	\$ 7,500

See accompanying Notes to Financial Statements.

**NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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 statements 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 statements 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, 2013 AND 2012

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, 2013 AND 2012

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, 2013 and 2012 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 years ended September 30, 2013 and 2012, donated assets totaled \$0 and \$7,500, respectively, 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, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held Under Split-Interest Agreement

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, 50% of 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 present value of expected future cash inflows under this agreement is calculated using a discount rate of 1.2% at September 30, 2013. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the statements of activities. The present value discount for the split-interest agreement receivable totaled \$102,842 and \$160,630 at September 30, 2013 and 2012, respectively.

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 totaled \$3,355,075 and \$3,561,461 during the years ended September 30, 2013 and 2012, respectively, 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 the years ended September 30, 2013 and 2012 was estimated to be approximately \$2,647,700 and \$3,436,400, respectively.

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, 2013 AND 2012**

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 2010 through 2012 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 3, 2014, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at September 30, 2013 and 2012 consist of the following:

	2013	
	Cost	Fair Value
Domestic Equities	\$ 5,526,069	\$ 6,156,660
Mutual Funds - Equities	2,550,377	2,819,240
Corporate Bonds	341,328	335,917
Mutual Funds - Fixed Income	6,102,125	6,045,453
Municipal Bonds	379,127	379,299
U.S. Treasury Obligations	317,146	312,535
	<u>\$ 15,216,172</u>	<u>\$ 16,049,104</u>

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 INVESTMENTS (CONTINUED)

	2012	
	Cost	Fair Value
Domestic Equities	\$ 1,216,965	\$ 1,361,217
Mutual Funds - Equities	390,076	459,473
Corporate Bonds	401,810	395,730
Mutual Funds - Fixed Income	2,088,239	2,134,152
Municipal Bonds	275,758	278,152
U.S. Treasury Obligations	294,491	291,646
	\$ 4,667,339	\$ 4,920,370

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

	2013	2012
Investments, Unrestricted	\$ 4,035,525	\$ 3,670,338
Cash and Investments, Endowment	12,068,694	1,404,587
Cash included in Cash and Investments, Endowment	(55,115)	(154,555)
	\$ 16,049,104	\$ 4,920,370

Investment return consists of the following:

	2013	2012
Interest and Dividends	\$ 182,098	\$ 131,938
Realized Investment Gains	96,544	50,215
Change in Unrealized Gains	579,901	222,553
	\$ 858,543	\$ 404,706

The Organization's corporate and municipal bonds and U.S. treasury obligations consist of the following at September 30, 2013 and 2012:

Face Value	Maturity Date	2013		Market Value
		Interest Rate	Cost	
\$ 223,000	2014	2.09% - 6.375%	\$ 235,523	\$ 228,255
175,000	2015	2.291% - 4.7%	180,208	181,976
330,000	2016	.50% - 3.15%	360,717	360,467
275,000	2017	.88% - 5.55%	261,153	256,909
\$ 1,003,000			\$ 1,037,601	\$ 1,027,751

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 INVESTMENTS (CONTINUED)

Face Value	Maturity Date	2012		Market Value
		Interest Rate	Cost	
\$ 330,000	2013	2.225% - 5.75%	\$ 342,022	\$ 338,708
210,000	2014	2.09% - 6.375%	221,069	222,655
180,000	2015	.70% - 4.70%	189,368	183,800
90,000	2016	1.60% - 3.00%	94,330	91,346
125,000	2017	1.00% - 1.279%	125,270	129,019
<u>\$ 935,000</u>			<u>\$ 972,059</u>	<u>\$ 965,528</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, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Domestic Equities	\$ 6,156,660	\$ -	\$ -	\$ 6,156,660
Mutual Funds - Equities	-	2,819,240	-	2,819,240
Corporate Bonds	335,917	-	-	335,917
Mutual Funds - Fixed Income	-	6,045,453	-	6,045,453
Municipal Bonds	-	379,299	-	379,299
US Treasury Obligations	-	312,535	-	312,535
Assets Held Under Split				
Interest Agreements	-	-	122,524	122,524
Total	<u>\$ 6,492,577</u>	<u>\$ 9,556,527</u>	<u>\$ 122,524</u>	<u>\$ 16,171,628</u>

	2012			
	Level 1	Level 2	Level 3	Total
Domestic Equities	\$ 1,361,217	\$ -	\$ -	\$ 1,361,217
Mutual Funds - Equities	-	459,473	-	459,473
Corporate Bonds	395,730	-	-	395,730
Mutual Funds - Fixed Income	-	2,134,152	-	2,134,152
Municipal Bonds	-	278,152	-	278,152
US Treasury Obligations	-	291,646	-	291,646
Assets Held Under Split				
Interest Agreements	-	-	64,736	64,736
Total	<u>\$ 1,756,947</u>	<u>\$ 3,163,423</u>	<u>\$ 64,736</u>	<u>\$ 4,985,106</u>

Mutual funds – equities and fixed income, municipal bonds and U.S. 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.

NEIGHBORHOOD HEALTH CLINIC, INC.
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NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

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, 2013 and 2012 is as follows:

Level 3 Assets Held Under Split Interest Agreements:	
Balance at September 30, 2011	\$ 1,014,736
Split-Interest Agreement and Trust Receivable Receipts	<u>950,000</u>
Balance at September 30, 2012	64,736
Split-Interest Agreement Valuation Adjustment	<u>57,788</u>
Balance at September 30, 2013	<u><u>\$ 122,524</u></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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unconditional Promises to Give	\$ 36,600	102,300
Grants Receivable	-	2,627
Less: Discount to Net Present Value	(2,915)	(10,774)
Less: Allowance for Uncollectible Accounts	<u>(10,000)</u>	<u>(20,000)</u>
	<u><u>\$ 23,685</u></u>	<u><u>\$ 74,153</u></u>

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

1 Year or Less	\$ 15,700
2 to 5 Years	<u>20,900</u>
	<u><u>\$ 36,600</u></u>

NEIGHBORHOOD HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ASSETS HELD UNDER SPLIT INTEREST AGREEMENT

Assets held under split interest agreement consist of the following as of September 30, 2013 and 2012:

	2013	2012
Assets Held Under Split Interest Agreement	\$ 225,366	\$ 225,366
Less: Valuation Allowance	(102,842)	(160,630)
	<u>\$ 122,524</u>	<u>\$ 64,736</u>

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2013 consists of the following.

	2013	2012
Buildings	\$ 1,719,373	\$ 1,632,519
Land	775,000	775,000
Furniture and Equipment	271,090	262,675
Building Improvements	41,170	37,285
Computer Hardware and Software	126,885	103,613
	<u>2,933,518</u>	<u>2,811,092</u>
Less: Accumulated Depreciation	(724,978)	(685,136)
	<u>\$ 2,208,540</u>	<u>\$ 2,125,956</u>

Depreciation expense for the years ended September 30, 2013 and 2012 totaled \$81,734 and \$76,401, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2013 and 2012 consist of the following:

	2013	2012
Medications/Health Awareness	\$ 20,729	\$ 46,693
Unappropriated Endowment Earnings	985,376	340,669
Unconditional Promise to Give	-	25,000
Split-Interest Agreement Receivable	122,524	64,736
	<u>\$ 1,128,629</u>	<u>\$ 477,098</u>

Temporarily restricted net assets released from donor-imposed restrictions during the year ended September 30, 2013, consists of the collection of a pledge receivable totaling \$25,000 and \$109,694 of net assets restricted for medications/health awareness.. Temporarily restricted net assets released from donor-imposed restrictions during the year ended September 30, 2012 consist of \$950,000 received from its trust receivable and \$70,755 of net assets restricted for medications/health awareness.

NEIGHBORHOOD HEALTH CLINIC, INC.
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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 years ended September 30, 2013 and 2012, the Organization contributed \$14,394 and \$11,466, respectively, to the plan.

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.

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, 2013 and 2012 deficiencies of this nature that are reported in unrestricted net assets were \$-0-.

NEIGHBORHOOD HEALTH CLINIC, INC.
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NOTE 9 ENDOWMENT (CONTINUED)

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 years ended September 30, 2013 and 2012.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, September 30, 2011	\$ 99,405	\$ 1,038,218	\$ 1,137,623
Contributions	-	25,700	25,700
Investment Return (Loss):			
Investment Income	54,202	-	54,202
Investment Expenses	(7,605)	-	(7,605)
Decrease in Value	194,667	-	194,667
Total Investment Return (Loss)	<u>241,264</u>	<u>-</u>	<u>241,264</u>
Amounts Appropriated for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, September 30, 2012	340,669	1,063,918	1,404,587
Contributions	-	10,004,200	10,004,200
Cash Collected on Unconditional Promise to Give	-	15,200	15,200
Investment Return (Loss):			
Investment Income	109,282	-	109,282
Investment Expenses	(45,666)	-	(45,666)
Increase in Value	581,091	-	581,091
Total Investment Return (Loss)	<u>644,707</u>	<u>-</u>	<u>644,707</u>
Amounts Appropriated for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, September 30, 2013	<u>\$ 985,376</u>	<u>\$ 11,083,318</u>	<u>\$ 12,068,694</u>

NEIGHBORHOOD HEALTH CLINIC, INC.
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NOTE 10 CONCENTRATIONS

During the year ending September 30, 2013, one donor contributed \$10,004,200 which was 89% of total contributions, excluding donated services and supplies. This contribution is permanently restricted and is included in permanently restricted net assets at September 30, 2013. During the year ending September 30, 2012, there was no donor who contributed greater than 10% of total contributions, excluding donated services and supplies.

NOTE 11 RELATED PARTY TRANSACTIONS

At September 30, 2013 and 2012, the Organization had unconditional promises to give due from board members totaling \$36,000 and \$50,000, respectively.

In addition, during the years ending September 30, 2013 and 2012, the Organization received contribution income from board members totaling \$117,509 and \$35,250, respectively.