

# Neighborhood Health Clinic, Inc.

## Financial Statements Years Ended September 30, 2010 and 2009

# Neighborhood Health Clinic, Inc.

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## **Independent Auditors' Report**

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

We have audited the accompanying statements of financial position of Neighborhood Health Clinic, Inc. ("the Organization") (a Florida nonprofit corporation) as of September 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Neighborhood Health Clinic, Inc. as of September 30, 2010 and 2009, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Urish Popeck + Co., LLC*

Pittsburgh, PA  
April 7, 2011

# Neighborhood Health Clinic, Inc.

## Statements of Financial Position

<i>September 30,</i>	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 544,085	\$ 413,701
Cash, permanently restricted	248,703	7,395
Investments	1,295,968	1,154,367
Investments, permanently restricted	1,659,004	1,310,130
Pledges receivable, less allowance for doubtful accounts of \$20,000 for both 2010 and 2009	25,044	90,653
Inventory	59,629	41,124
Grant receivable	41,117	-
Property held for sale, net	-	566,350
Property and equipment, net	2,175,216	2,213,524
Other assets	40,289	14,248
<b>Total assets</b>	<b>6,089,055</b>	<b>5,811,492</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Line of credit	-	-
Accounts payable and accrued expenses	44,703	62,317
Deferred revenue	9,500	-
<b>Total liabilities</b>	<b>54,203</b>	<b>62,317</b>
<b>Net assets</b>		
Unrestricted	4,252,473	4,335,720
Temporarily restricted	57,911	119,233
Permanently restricted	1,724,468	1,294,222
<b>Total net assets</b>	<b>6,034,852</b>	<b>5,749,175</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,089,055</b>	<b>\$ 5,811,492</b>

*See accompanying notes to the financial statements and the independent auditors' report.*

# Neighborhood Health Clinic, Inc.

## Statements of Activities and Changes in Net Assets Years Ended September 30, 2010 and 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
<b>Support and revenues</b>					
Contributions	\$ 719,651	\$ 212,883	\$ 11,950	\$ 944,484	\$ 1,410,107
Contributed services , supplies and equipment	2,947,549	-	-	2,947,549	2,498,567
Patient service fees	139,077	-	-	139,077	70,176
Special events income, net of \$91,837 of direct expenses	212,571	-	-	212,571	247,080
Investment income	155,660	-	-	155,660	195,110
Loss on property held for sale	(148,383)	-	-	(148,383)	-
<b>Total support and revenues</b>	4,026,125	212,883	11,950	4,250,958	4,421,040
Net assets released from restrictions	274,205	(274,205)	-	-	-
<b>Total support, revenues and reclassifications</b>	4,300,330	(61,322)	11,950	4,250,958	4,421,040
<b>Expenses</b>					
Program services	3,615,182	-	-	3,615,182	3,163,174
Management and general	289,799	-	-	289,799	322,696
Fund-raising	60,300	-	-	60,300	96,278
<b>Total expenses</b>	3,965,281	-	-	3,965,281	3,582,148
Transfer to permanently restricted	(418,296)	-	418,296	-	-
<b>Change in net assets</b>	(83,247)	(61,322)	430,246	285,677	838,892
<b>Net assets, beginning of year</b>	4,335,720	119,233	1,294,222	5,749,175	4,910,283
<b>Net assets, end of year</b>	\$ 4,252,473	\$ 57,911	\$ 1,724,468	\$ 6,034,852	\$ 5,749,175

*See accompanying notes to the financial statements and the independent auditors' report.*

# Neighborhood Health Clinic, Inc.

## Statements of Functional Expenses Years Ended September 30, 2010 and 2009

	Program Services	Management and General	Fund- Raising	2010	2009
Advertising and promotion	\$ -	\$ 22,591	\$ -	\$ 22,591	\$ 30,170
Bad debt expense	-	-	-	-	20,000
Depreciation	61,319	11,680	-	72,999	65,696
Donated services and goods	2,928,158	-	-	2,928,158	2,495,567
Dues and subscriptions	1,216	-	-	1,216	2,858
Endowment fees and printing expenses	-	18,612	-	18,612	17,371
Insurance	13,522	11,485	331	25,338	19,792
Interest	-	-	-	-	10,897
Lab fees	87,921	-	-	87,921	80,158
Medical and pharmacy supplies	4,326	-	-	4,326	4,811
Office supplies	10,070	1,965	246	12,281	11,392
Other expenses	-	1,692	-	1,692	1,920
Pharmaceuticals	67,790	-	-	67,790	35,876
Postage and shipping	5,168	1,008	127	6,303	5,044
Printing and publications	3,365	-	-	3,365	3,392
Professional fees	145,912	14,504	-	160,416	149,952
Repair and maintenance	36,504	7,123	891	44,518	69,664
Salaries and benefits	224,366	194,155	58,082	476,603	521,218
Taxes	-	-	-	-	2,895
Telephone	5,540	1,081	135	6,756	6,918
Travel and entertainment	4,628	903	113	5,644	4,402
Utilities	15,377	3,000	375	18,752	22,155
	\$ 3,615,182	\$ 289,799	\$ 60,300	\$ 3,965,281	\$ 3,582,148

# Neighborhood Health Clinic, Inc.

## Statements of Cash Flows

<i>September 30,</i>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 285,677	\$ 838,892
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,999	65,696
Loss on sale of asset	148,383	-
Net unrealized and realized gains on investments	(67,875)	(88,390)
Contributions - permanently restricted	(430,246)	(347,604)
Cash (used in) provided by operating assets and liabilities:		
Inventory	(18,505)	(13,546)
Pledges receivable	65,609	26,947
Grant receivable	(41,117)	-
Other assets	(26,041)	(4,216)
Accounts payable and accrued expenses	(17,614)	58,814
Deferred revenue	9,500	-
<b>Net cash (used in) provided by operating activities</b>	<b>(19,230)</b>	<b>536,593</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	1,147,254	1,175,433
Purchase of investments	(1,569,853)	(1,797,396)
Withdrawal from investment	-	54,025
Purchase of property and equipment	(35,022)	(78,701)
Proceeds on sale of asset	418,297	-
<b>Net cash (used in) investing activities</b>	<b>(39,324)</b>	<b>(646,639)</b>
<b>Cash flows from financing activities</b>		
Contributions - permanently restricted	430,246	347,604
Use of restricted cash	(241,308)	24,748
Payments on mortgage payable	-	(262,718)
<b>Net cash provided by financing activities</b>	<b>188,938</b>	<b>109,634</b>
<b>Net change in cash and cash equivalents</b>	<b>130,384</b>	<b>(412)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>413,701</b>	<b>414,113</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 544,085</b>	<b>\$ 413,701</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ -	\$ 10,897

*See accompanying notes to the financial statements and the independent auditors' report.*

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Neighborhood Health Clinic, Inc. (the Organization or the Clinic), is presented to assist in understanding the Organization's financial statements. The financial statements are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### *Nature of Activities*

Neighborhood Health Clinic, Inc., is a Florida corporation organized in 1999. Its purpose is to deliver quality medical care to the low-income, working, but uninsured people of Collier County principally using volunteer professional staff. The Organization is supported exclusively through donor and patient contributions, investment income, and special events.

#### *Basis of Accounting*

The Organization's 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 as established by the Financial Accounting Standards Board (FASB). FASB establishes standards for general-purpose external financial statements of not-for-profit organizations, including the statement of financial position, a statement of changes in net assets and a statement of cash flows.

A description of the Organization's net asset categories is as follows:

**Unrestricted Net Assets** – Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the Organization's mission.

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

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies (cont.)

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed restriction requiring the Organization maintain them permanently. Such assets are normally restricted to long-term investment with income earned and appreciation available for 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. The Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant risk on bank deposit accounts.

#### *Liquidity*

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

#### *Inventory*

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

#### *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 to unrestricted net assets at that time.

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies (cont.)

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 forty years for buildings.

#### *Investments*

Investments with readily determinable fair values and all investments in debt and equity securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase (decrease) in net assets.

Although the Organization's investments are invested in a variety of financial instruments, the related fair values, as presented in the financial statements, are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities, it is reasonably possible that the fair value of investments reported in the accompanying statement of financial position could materially change from time to time.

The Clinic has a policy that all operating investments have no lower than "A" rated bonds as set by Standard and Poors (S&P) and/or Moody's. In addition, the Clinic has an operating investment policy of holding 10% or less from any one source with the exception of U.S. Government and U.S. Government Agencies.

#### *Fair Value Measurement*

As of the beginning of the fiscal year ended September 30, 2009, the Organization adopted Fair Value Measurements accounting. The fair value measurement standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies (cont.)

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization only has Level 1 investments.

#### *Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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, Supplies and Equipment*

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 in the amount of \$2,872,183 and \$2,495,567 has been reflected in the accompanying financial statements for the years ended September 30, 2010 and 2009, respectively. 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.

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies (cont.)

The Organization received donated equipment and supplies totaling \$75,366 and \$3,000 for the years ended September 30, 2010 and 2009, respectively.

In addition, the Organization receives donated drugs from pharmaceutical companies that are for the use of specific patients. The Organization has chosen, as permitted by accounting standards for *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, not to record these contributions or the ensuing liability to the ultimate beneficiary.

#### *Functional Expenses*

The cost of providing program and support services has been summarized on a functional basis. The expenses are charged directly to program, management and general, and fund-raising categories based on specific identification. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective (i.e. depreciation, personnel administration and accounting). Indirect costs have been allocated to each program using a simplified allocation methodology.

#### *Income Taxes*

The Organization is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and similar provisions of the Florida Statutes. Accordingly, no provision for Federal or state income taxes has been included in these financial statements.

FASB prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. For the Organization, tax positions taken include the Corporation's status as a Non Profit and the approval and qualification for this status. Management has reviewed the current status of the Organization's election as a Non Profit and has concluded that the Organization has no liability or required disclosure relating to this tax position. The Organization is subject to Federal income tax audits for years 2007, 2008 and 2009.

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 1. Summary of Significant Accounting Policies (cont.)

#### *Advertising*

The cost of advertising, which amounted to \$22,591 and \$30,170 for the years ended September 30, 2010 and 2009, respectively, are charged to operations as incurred.

#### *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 and disclosures. Actual results could materially differ from those estimates.

#### *Pledges/Grant Receivable*

Unconditional promises to give are recorded as support and revenue when the commitment is received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization provides for uncollectible pledges receivable in accordance with the allowance method.

#### *Reclassifications*

Certain reclassifications were made to the financial statements for the year ended December 31, 2009 to conform with the current year presentation.

#### *Subsequent Events*

Subsequent events have been evaluated through April 7, 2011 which is the date that the financial statements were available to be issued. Management did not identify any events requiring recording or disclosure in the financial statement for September 30, 2010.

### 2. Investments

Investments at September 30, 2010, consisted of the following:

	<b>Cost</b>	<b>Market Value</b>
Mutual Funds – Bond	\$ 1,716,913	\$ 1,748,985
Common Stock	1,032,712	1,205,987
<b>Total investments</b>	<b>\$ 2,749,625</b>	<b>\$ 2,954,972</b>

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 2. Investments (cont.)

As described in the Summary of Significant Accounting Policies, the Organization only carries Level 1 investments.

Investment return for the twelve months ended September 30, 2010 and 2009 consists of the following:

	2010	2009
Interest and dividends	\$ 87,783	\$ 106,720
Realized investment losses	(48,509)	(85,129)
Unrealized investment gains (losses)	116,386	173,519
Total investment return	\$ 155,660	\$ 195,110

### 3. Pledges/Grant Receivable

At September 30, 2010 and 2009, the present value of operating pledges receivable totaled \$0 and \$19,239, respectively, and the endowment pledges receivable totaled \$45,044 and \$91,414. Management has recorded an allowance for doubtful accounts totaling \$20,000 at both September 30, 2010 and 2009, respectively.

Unconditional promises to give are expected to be realized in the following periods:

<i>September 30,</i>	2010	2009
One year or less	\$ 27,384	\$ 55,750
Two to five years	20,500	63,200
Less allowance for doubtful accounts	(20,000)	(20,000)
Less present value factor	(2,840)	(8,297)
Total pledges receivable	\$ 25,044	\$ 90,653

The clinic received a grant for a total of \$73,277. At September 30, 2010, \$41,117 remained outstanding. The balance was paid in full as of November 30, 2010.

### 4. Restricted Cash

As of September 30, 2010 and 2009, permanently restricted endowment assets included cash of \$248,703 and \$7,395 and investments of \$1,659,004 and \$1,310,130, respectively, (see Note 10).

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 5. Property Held For Sale

The thrift store building and associated land was held for sale at September 30, 2009. The property held for sale at September 30, 2009 is reported at cost, net of accumulated depreciation of \$24,237. The thrift shop sold during 2010 at a loss of \$148,383. The cash proceeds of \$418,296 were transferred into the permanently restricted endowment fund.

### 6. Property and Equipment, Net

Property and equipment consisted of the following:

<i>September 30,</i>	<b>2010</b>	2009
Furniture and equipment	\$ 232,005	\$ 362,727
Buildings	1,700,967	1,663,023
Land	775,000	775,000
	<b>2,707,972</b>	2,800,750
Less: accumulated depreciation	<b>(532,756)</b>	(587,226)
Net property and equipment	<b>\$ 2,175,216</b>	\$ 2,213,524

Depreciation expense for the year ended September 30, 2010 and 2009 totaled \$72,999 and \$65,696, respectively.

### 7. Line of Credit

The Organization has a \$150,000 unsecured revolving line of credit maturing on June 1, 2011. Borrowings are due on demand with interest payable at the Prime Rate as published in the Wall Street Journal with a floor of 5.5%. At September 30, 2010 and 2009, there was no outstanding balance, and the entire \$150,000 was available for borrowing.

### 8. Unrestricted Net Assets

Unrestricted net assets included:

<i>September 30,</i>	<b>2010</b>	2009
Undesignated	\$ 1,978,007	\$ 672,170
Investment in property and equipment	2,175,216	2,778,297
Board designated	99,250	885,253
Total unrestricted net assets	<b>\$ 4,252,473</b>	\$ 4,335,720

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### 8. Unrestricted Net Assets (cont.)

The Board has designated funds to be held for future reserves. As of September 30, 2009, this amount totaled \$822,947, of which \$46,238 was being held for future estimated repairs and replacement costs. During the year ended September 30, 2010, the Board established a separate bank account for all board designated funds. The Board at September 30, 2010 has designated \$99,250 to be used for future estimated repairs and replacement costs. The Board determined that any other unrestricted funds above and beyond the \$99,250 should be considered undesignated and placed in banking or investment accounts as deemed appropriate.

### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted by donors for the following purposes:

<i>September 30,</i>	<b>2010</b>	2009
Medications/health awareness	<b>\$ 57,911</b>	\$ 23,781
Director of development expenses	-	95,452
<b>Total temporarily restricted net assets</b>	<b>\$ 57,911</b>	\$ 119,233

Temporarily restricted net assets released from donor-imposed restrictions during the years ended September 30, 2010 and 2009, amounted to \$263,517 and \$250,390 for medications/health awareness, hurricane repairs, computer expenses and director of development expenses.

### 10. Permanently Restricted Net Assets

Realized losses totaled \$22,379 and \$86,415, respectively, during the years ended September 30, 2010 and 2009 for assets permanently restricted. Interest and dividends totaled \$36,340 and \$31,247, respectively, during the years ended September 30, 2010 and 2009. In addition, related management and administration fees totaled \$7,406 and \$5,338, respectively. Such income and expenses are included in unrestricted investment return and unrestricted management and general expenses in the accompanying Statement of Activities and Changes in Net Assets.

### 11. Related Party Transactions

Pledges receivable from members of the Board of Directors total \$3,000 and \$34,550 at September 30, 2010 and 2009, respectively.

Contributions during the years ended September 30, 2010 and 2009 from Board members, Board members' foundations, or other related parties totaled \$37,650 and \$30,950, respectively.

# Neighborhood Health Clinic, Inc.

## Notes to Financial Statements September 30, 2010 and 2009

### **12. Concentrations**

All of the Organization's investments were managed by two financial institutions, which management considers to be of high quality.

For the year ended September 30, 2010, two donors contributed 37% of unrestricted contributions and one donor contributed 44% of temporarily restricted contributions. For the year ended September 30, 2009, two donors contributed 47% of unrestricted contributions, one donor contributed 51% of temporarily restricted contributions, and two donors contributed 89% of permanently restricted contributions.

The Organization provides substantially all of their patients' medications from drug manufacturer patient assistance programs. As described in the Summary of Significant Accounting Policies, these medications are not recorded in the Organization's records.