

People's Community Clinic

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014

People's Community Clinic
December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
People's Community Clinic
Austin, Texas

We have audited the accompanying financial statements of People's Community Clinic (the "Organization"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in net assets 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the 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 People's Community Clinic as of December 31, 2015 and 2014, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses listed in the table of contents is presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Springfield, Missouri
June 27, 2016

People's Community Clinic
Balance Sheets
December 31, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 9,154,200	\$ 4,837,440
Short-term investments	-	1,061,410
Patient accounts receivable, net of allowance; 2015 - \$1,747,215, 2014 - \$952,937	615,302	835,633
Grants and other receivables	125,289	13,799
Contributions receivable - current	2,999,826	12,288,643
Estimated amounts due from third-party payers - current	1,804,485	-
Supplies and inventory	146,066	243,234
Prepaid expenses and other	<u>34,854</u>	<u>42,814</u>
Total current assets	<u>14,880,022</u>	<u>19,322,973</u>
Long-term Investments	<u>25,665</u>	<u>-</u>
Estimated Amounts Due From Third-Party Payers	<u>-</u>	<u>882,182</u>
Property and Equipment, At Cost		
Land and land improvements	674,850	674,850
Buildings and leasehold improvements	2,662,919	2,662,919
Equipment	989,847	887,642
Construction in progress	<u>10,990,132</u>	<u>3,281,147</u>
	15,317,748	7,506,558
Less accumulated depreciation	<u>1,802,360</u>	<u>1,558,992</u>
	<u>13,515,388</u>	<u>5,947,566</u>
Other Assets		
Contributions receivable	356,056	296,352
Other	<u>4,826</u>	<u>4,826</u>
	<u>360,882</u>	<u>301,178</u>
Total assets	<u>\$ 28,781,957</u>	<u>\$ 26,453,899</u>

Liabilities and Net Assets

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Current maturities of long-term debt	\$ 34,411	\$ 45,150
Accounts payable	1,174,397	445,212
Accrued expenses	1,365,845	612,929
Deferred revenue	26,345	-
	<hr/>	<hr/>
Total current liabilities	2,600,998	1,103,291
Long-Term Debt	<hr/>	<hr/>
	108,333	168,357
Total liabilities	<hr/>	<hr/>
	2,709,331	1,271,648
Net Assets		
Unrestricted	9,512,465	9,800,091
Temporarily restricted	16,535,161	15,357,160
Permanently restricted	25,000	25,000
	<hr/>	<hr/>
Total net assets	26,072,626	25,182,251
Total liabilities and net assets	<hr/> <hr/>	<hr/> <hr/>
	\$ 28,781,957	\$ 26,453,899

People's Community Clinic
Statements of Operations
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue (net of contractual discounts and allowances)	\$ 9,097,580	\$ 7,906,764
Provision for uncollectible accounts	2,651,162	1,441,394
Net patient service revenue less provision for uncollectible accounts	6,446,418	6,465,370
Grant revenue	2,435,382	1,577,996
Contributions	2,135,479	1,635,092
Other	132,817	111,051
Net assets released from restrictions used for operations	4,408,639	4,435,542
Total unrestricted revenues, gains and other support	15,558,735	14,225,051
Expenses and Losses		
Salaries and wages	8,696,706	7,556,960
Employee benefits	1,916,147	1,605,063
Purchased services and professional fees	937,735	843,151
Supplies and other	3,838,484	3,372,819
Rent	274,888	268,790
Depreciation and amortization	268,431	300,237
Interest	6,908	2,206
(Gain) loss on sale of property and equipment	(7,257)	11,895
Total expenses and losses	15,932,042	13,961,121
Operating Income (Loss)	(373,307)	263,930
Other Income		
Investment return	70,681	10,757
Excess (Deficiency) of Revenues over Expenses	(302,626)	274,687
Contribution of property	-	187,400
Net assets released from restriction used for purchase of property and equipment	15,000	464,156
Increase (Decrease) in Unrestricted Net Assets	\$ (287,626)	\$ 926,243

People's Community Clinic
Statements of Changes in Net Assets
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	\$ (302,626)	\$ 274,687
Contribution of property	-	187,400
Net assets released from restriction used for purchase of property and equipment	<u>15,000</u>	<u>464,156</u>
Increase (decrease) in unrestricted net assets	<u>(287,626)</u>	<u>926,243</u>
Temporarily Restricted Net Assets		
Contributions	5,601,640	16,515,091
Net assets released from restriction	<u>(4,423,639)</u>	<u>(4,899,698)</u>
Increase in temporarily restricted net assets	<u>1,178,001</u>	<u>11,615,393</u>
Permanently Restricted Net Assets		
Contributions	<u>-</u>	<u>25,000</u>
Increase in permanently restricted net assets	<u>-</u>	<u>25,000</u>
Change in Net Assets	890,375	12,566,636
Net Assets, Beginning of Year	<u>25,182,251</u>	<u>12,615,615</u>
Net Assets, End of Year	<u><u>\$ 26,072,626</u></u>	<u><u>\$ 25,182,251</u></u>

People's Community Clinic
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 890,375	\$ 12,566,636
Items not requiring (providing) cash		
(Gain) loss on sale of property and equipment	(7,257)	11,895
Depreciation and amortization	268,431	300,237
Contributions of or for acquisition of property and equipment	(1,042,991)	(11,941,306)
Changes in		
Patient accounts receivable, net	220,331	(486,044)
Contributions receivable	(143,645)	1,284,611
Estimated amounts due from and to third-party payers	(922,303)	(532,182)
Inventory and supplies	97,168	(114,232)
Accounts payable and accrued expenses	(1,733)	244,510
Other current assets and liabilities	7,960	(2,688)
	<u>(633,664)</u>	<u>1,331,437</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of investments	(144,195)	-
Proceeds from disposition of investments	1,179,940	1,228,058
Purchase of property and equipment	(6,361,718)	(1,012,701)
Proceeds from sale of property and equipment	42,901	500
	<u>(5,283,072)</u>	<u>215,857</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Proceeds from contributions for acquisition of property and equipment	10,304,259	1,024,307
Principal payments on long-term debt	(70,763)	(12,852)
	<u>10,233,496</u>	<u>1,011,455</u>
Net cash provided by financing activities		
Increase in Cash and Cash Equivalents	4,316,760	2,558,749
Cash and Cash Equivalents, Beginning of Year	<u>4,837,440</u>	<u>2,278,691</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,154,200</u>	<u>\$ 4,837,440</u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 6,908	\$ 2,206
Accounts payable incurred for property and equipment	\$ 1,587,339	\$ 77,160
Capital lease obligation incurred for property and equipment	\$ -	\$ 171,767

People's Community Clinic
Notes to Financial Statements
December 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

People's Community Clinic (the "Organization") primarily earns revenues by providing physician and related health care services through clinics located in Austin, Texas. The Organization is a federally qualified health center and is supported through public insurance programs such as Medicaid and Medicare, direct federal funding, state and local grants, private grants and contributions.

Use of 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.

Cash and Cash Equivalents

The Organization considers all liquid investments with initial maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers and securities purchased under agreements to resell. The amounts advanced under these agreements are book-entry securities and are subject to a written custodial agreement that explicitly recognizes the Organization's interest in the securities. Securities purchased under agreements to resell amount to \$8,739,000 and \$4,451,000 at December 31, 2015 and 2014, respectively, and are included in cash and cash equivalents. At December 31, 2015, the Organization's cash accounts exceeded federally insured limits by approximately \$200,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

People's Community Clinic

Notes to Financial Statements

December 31, 2015 and 2014

The Organization has held an interest of approximately 3% in a limited partnership. This investment was not considered material to the financial statements and, therefore, was not reflected on the Organization's balance sheet. During 2015, the Organization received a disbursement following the sale of certain real estate assets held by the partnership. The disbursement was included in investment return on the statements of operations. The partnership is expected to be dissolved in 2016.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources or revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for uncollectible accounts in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Organization's allowance for doubtful accounts for self-pay patients decreased from 94% of self-pay accounts receivable at December 31, 2014, to 14% of self-pay accounts receivable at December 31, 2015. In addition, the Organization's write-offs increased approximately \$1,030,000 from approximately \$825,000 for the year ended December 31, 2014, to approximately \$1,855,000 for the year ended December 31, 2015.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

People's Community Clinic
Notes to Financial Statements
December 31, 2015 and 2014

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements and assets under capital lease obligations are depreciated over the shorter of the lease term or their respective useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings, leasehold and land improvements	3 – 40 years
Equipment	3 – 15 years

Certain property and equipment have been purchased with grant funds. Such items may have a reversionary interest by the grantor if not used to further the grant's objectives or held for a specific length of time.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2015 and 2014.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Permanently Restricted Net Assets

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

People's Community Clinic

Notes to Financial Statements

December 31, 2015 and 2014

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

340B Revenue

The Organization participates in the 340B “Drug Discount Pricing Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Pricing Program is managed by the Health Resource and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. Reported 340B revenue consists of reimbursements from the network of participating pharmacies, net of the initial purchase price of the drugs and is included in net patient service revenue on the accompanying statement of operations and changes in net assets.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Government Grant Revenue

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

People's Community Clinic

Notes to Financial Statements

December 31, 2015 and 2014

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives certain donated professional services and in-kind contributions of supplies, pharmaceuticals and rent. It is the policy of the Organization to record the estimated fair value of these in-kind contributions as an expense in its financial statements and similarly increase contribution revenue by a like amount. In-kind contributions of \$953,022 and \$927,541 are recorded for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible federally qualified health centers that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to six years based upon a statutory formula, as determined by the State, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Organization continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the State, fiscal intermediary or Medicare Administrative Contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting year.

In 2015, the Organization completed requirements under the Medicaid program and has recorded revenue of \$127,500, which is included in other revenue in the statements of operations. The Organization recorded \$93,500 in 2014 under this program.

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets.

People's Community Clinic

Notes to Financial Statements

December 31, 2015 and 2014

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Grant Revenue

The Organization is the recipient of a Community Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded health care services in Austin, Texas. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended December 31, 2015 and 2014, the Organization recognized \$1,183,576 and \$809,688 in CHC grant revenue, respectively. Funding for the grant year ending May 31, 2016, has been authorized at \$1,497,379.

In addition to this grant the Organization receives additional financial support from other state and private sources. Generally such support requires compliance with terms and conditions specified in grant agreements and has been renewed on an annual basis.

Note 3: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries were paid based on a cost reimbursement methodology until December 31, 2014. Under that methodology, the Organization received a tentative rate with a final settlement determined after submission of an annual cost report by the Organization. Effective January 1, 2015, these services are now paid under a prospective payment system (PPS). Medicare payment, including patient coinsurance, will now be paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

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Notes to Financial Statements
December 31, 2015 and 2014

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a set encounter rate for all services provided under the plan. The encounter rate is updated annually based on the Medicare Economic Index (MEI).

Prior to receiving a final prospective payment system (PPS) rate, the Organization was reimbursed for covered Medicaid services at an interim PPS rate. A rate setting cost report was submitted for the year ended December 31, 2013, and final determination of the PPS rate related to this cost report has been received. An estimated settlement for the difference between the interim and final rates is recorded as a receivable on the balance sheet as estimated amounts due from third-party payers as the settlement related to this cost report has not yet been received in full. The 2015 net patient service revenue increased approximately \$210,000 due to the final rate determination and partial settlement payment which applies to dates of service prior to January 1, 2015.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization is a partner in the Central Health Unfunded Program with the Travis County Healthcare District (the "District"). Covered primary care services rendered to Central Health Unfunded Program beneficiaries are paid by the District to the extent of the District's contracted maximum obligation. The Organization's current agreement with the District is effective through September 30, 2016.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2015 and 2014, was approximately:

	2015	2014
Medicare	\$ 227,564	\$ 122,335
Medicaid	5,200,680	4,432,347
Travis County Healthcare District	1,381,278	1,370,210
Other third-party payers	314,489	172,057
Self-pay	<u>1,973,569</u>	<u>1,809,815</u>
Total	<u>\$ 9,097,580</u>	<u>\$ 7,906,764</u>

People's Community Clinic
Notes to Financial Statements
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Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at December 31, 2015 and 2014, is:

	2015	2014
Medicare	10%	5%
Medicaid	82%	79%
Other third-party payers	3%	12%
Self-pay	5%	4%
	<u>100%</u>	<u>100%</u>

Note 5: Investment and Investment Return

Investments at December 31 consisted of the following:

	2015	2014
Certificates of deposit	\$ 25,665	\$ 1,061,410
Less long-term investments	<u>25,665</u>	<u>-</u>
Short-term investments	<u>\$ -</u>	<u>\$ 1,061,410</u>

Total investment return is comprised of the following:

	2015	2014
Interest income	\$ 2,815	\$ 10,757
Proceeds from dissolution of limited partnership	<u>67,866</u>	<u>-</u>
	<u>\$ 70,681</u>	<u>\$ 10,757</u>

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Notes to Financial Statements
December 31, 2015 and 2014

Note 6: Contributions Receivable

Contributions receivable at December 31, 2015 and 2014, consisted of the following:

	2015	2014
Due within one year	\$ 2,999,826	\$ 12,288,643
Due in one to five years	372,333	300,000
	<u>3,372,159</u>	<u>12,588,643</u>
Less unamortized discount	16,277	3,648
	<u>\$ 3,355,882</u>	<u>\$ 12,584,995</u>

The discount rates for 2015 and 2014 were 1.8% and 1.2%, respectively.

Note 7: Medical Malpractice Claims

The U.S. Department of Health and Human Services deemed the Organization and its practicing medical professionals covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determined without consideration to insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claim experience, no such accrual has been made for the Organization's medical malpractice costs for the years ended December 31, 2015 and 2014. However because of the risk in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 8: Long-Term Debt

Long-term debt consists of the following at December 31, 2015 and 2014:

	2015	2014
Capital lease obligations (A)	\$ 142,744	\$ 213,507
Less current maturities	<u>34,411</u>	<u>45,150</u>
	<u>\$ 108,333</u>	<u>\$ 168,357</u>

People's Community Clinic
Notes to Financial Statements
December 31, 2015 and 2014

(A) At varying rates of imputed interest from 3.25% to 17.10%, due through December 2019; collateralized by equipment. Equipment includes the following under capital lease:

	2015	2014
Equipment	\$ 177,767	\$ 238,474
Less accumulated depreciation	72,607	61,097
	\$ 105,160	\$ 177,377

Aggregate annual payments on capital lease obligations at December 31, 2015, are:

2016	\$ 39,737
2017	39,290
2018	37,944
2019	37,943
	154,914
Less amount representing interest	12,170
Present value of future minimum lease payments	142,744
Less current maturities	34,411
Noncurrent portion	\$ 108,333

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods:

	2015	2014
Health care services	\$ -	\$ 166,241
Capital and renovation projects	13,938,798	12,863,169
Behavioral health	294,183	354,898
Prenatal and parenting	739,454	-
Patient education	55,023	-
For periods after December 31	1,507,703	1,972,852
	\$ 16,535,161	\$ 15,357,160

During 2015 and 2014, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of capital and renovation projects, behavioral health and health care services in the amounts of \$4,423,639 and \$4,899,698, respectively.

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Notes to Financial Statements
December 31, 2015 and 2014

Note 10: Retirement Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees. For each eligible participant, the Organization provides an employer contribution equal to the employee's contribution or 4% of the employee's annual salary, whichever is less. Retirement plan expense for the years ended December 31, 2015 and 2014 was \$219,870 and \$162,934, respectively.

Note 11: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	2015	2014
Health care services	\$ 13,462,833	\$ 11,815,850
General and administrative	1,690,887	1,388,560
Fundraising	778,322	756,711
	\$ 15,932,042	\$ 13,961,121

Note 12: Related Party

People's Community Clinic Foundation (the "Foundation") was formed to assist the Organization with fundraising efforts. The Organization is the sole member of the Foundation. Separate financial statements are not prepared as no activity or account balances are recorded by the Foundation. All funds raised by the Foundation are reflected in the financial statements of the Organization.

Note 13: Construction in Progress

The Organization is in the process of renovating a new facility. The project was completed in April 2016 with a cost of approximately \$16,000,000. The project was funded with contributions and internally generated funds.

People's Community Clinic
Notes to Financial Statements
December 31, 2015 and 2014

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contribution Revenue

Approximately 56% and 55% of contribution revenue received during the years ended December 31, 2015 and 2014, respectively, was received from one donor.

Grant Revenue

Concentration of revenues related to grant awards and other support is described in *Note 2*.

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *3*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 7*.

Supplementary Information

People's Community Clinic
Schedule of Functional Expenses
Year Ended December 31, 2015

	Adult Health Services	Adolescent Health Services	Pediatric Health Services	Prenatal Health Services	Family Planning
Personnel	\$ 2,784,045	\$ 989,313	\$ 1,983,045	\$ 2,371,831	\$ 735,817
Staff development and travel	34,574	17,134	26,381	38,244	7,408
Contractual services	84,171	90,419	165,968	84,340	1,183
Laboratory/diagnostic	176,871	38,653	42,416	182,838	61,090
Pharmacy	125,818	2,951	3,664	2,046	257,696
Patient care and records	29,378	10,014	25,526	27,923	9,342
Facility and equipment	164,635	65,230	191,429	210,299	21,965
Administrative	54,519	23,679	55,114	64,436	8,728
Depreciation	49,854	19,140	57,708	64,223	5,944
Fundraising	-	-	-	-	-
Collaborations	49,636	5,744	17,320	19,275	1,784
In-kind expenses	697,982	-	-	92,222	-
(Gain)/loss on disposal	-	-	-	-	-
Total expenses	\$ 4,251,483	\$ 1,262,277	\$ 2,568,571	\$ 3,157,677	\$ 1,110,957

Social Services	Total Program Services	General and Administrative	Fundraising Activities	Total
\$ 614,622	\$ 9,478,673	\$ 764,353	\$ 369,827	\$ 10,612,853
8,189	131,930	49,076	12,070	193,076
50,090	476,171	447,341	14,223	937,735
-	501,868	-	-	501,868
353	392,528	-	-	392,528
1,512	103,695	-	-	103,695
82,409	735,967	124,679	36,956	897,602
22,109	228,585	148,289	159,621	536,495
25,177	222,046	38,090	8,295	268,431
-	-	-	77,308	77,308
307,407	401,166	-	-	401,166
-	790,204	126,316	100,022	1,016,542
-	-	(7,257)	-	(7,257)
<u>\$ 1,111,868</u>	<u>\$ 13,462,833</u>	<u>\$ 1,690,887</u>	<u>\$ 778,322</u>	<u>\$ 15,932,042</u>

People's Community Clinic
Schedule of Functional Expenses
Year Ended December 31, 2014

	Adult Health Services	Adolescent Health Services	Pediatric Health Services	Prenatal Health Services	Family Planning
Personnel	\$ 2,644,057	\$ 780,820	\$ 1,747,197	\$ 1,876,006	\$ 586,682
Staff development and travel	22,126	8,052	23,002	19,591	3,619
Contractual services	76,212	103,206	137,591	89,404	3,550
Laboratory/diagnostic	144,341	29,628	33,997	146,439	48,330
Pharmacy	97,015	1,574	2,052	3,224	232,036
Patient care and records	32,673	8,019	24,598	48,896	8,910
Facility and equipment	224,279	73,018	210,964	198,470	15,610
Administrative	84,675	18,377	54,979	51,142	4,858
Depreciation	69,179	22,573	65,211	60,938	4,773
Fundraising	-	-	-	-	-
Collaborations	6,367	1,316	3,681	3,475	269
In-kind expenses	105,997	78,355	352,599	120,603	84,885
(Gain)/loss on disposal	-	-	-	-	-
Total expenses	\$ 3,506,921	\$ 1,124,938	\$ 2,655,871	\$ 2,618,188	\$ 993,522

	Social Services	Total Program Services	General and Administrative	Fundraising Activities	Total
\$	510,020	\$ 8,144,782	\$ 609,635	\$ 407,606	\$ 9,162,023
	10,976	87,366	30,582	21,588	139,536
	42,436	452,399	385,781	4,971	843,151
	-	402,735	-	-	402,735
	668	336,569	-	-	336,569
	2,389	125,485	-	-	125,485
	84,361	806,702	129,618	42,901	979,221
	20,771	234,802	109,190	129,231	473,223
	26,102	248,776	40,112	11,349	300,237
	-	-	-	84,850	84,850
	218,687	233,795	-	-	233,795
	-	742,439	71,747	54,215	868,401
	-	-	11,895	-	11,895
	<u>916,410</u>	<u>11,815,850</u>	<u>1,388,560</u>	<u>756,711</u>	<u>13,961,121</u>