

CLINICA COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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Independent Auditors' Report

Board of Directors
Clinica Colorado
Westminster, Colorado

We have audited the accompanying financial statements of Clinica Colorado (a Colorado nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinica Colorado as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ryzti + Adams, LLC

March 24, 2016
Denver, Colorado

CLINICA COLORADO
STATEMENTS OF FINANCIAL POSITION

December 31,	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 450,232	\$ 237,794
Investments	100,250	100,100
Accounts receivable	11,301	25,982
Promises to give, net of allowance	594,904	372,726
Prepaid expense	10,536	8,798
Property and equipment, net of accumulated depreciation	<u>15,836</u>	<u>2,826</u>
Total Assets	<u>\$ 1,183,059</u>	<u>\$ 748,226</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	<u>\$ 47,006</u>	<u>\$ 52,568</u>
<u>Net assets</u>		
Unrestricted	1,089,537	659,483
Temporarily restricted	<u>46,516</u>	<u>36,175</u>
Total net assets	<u>1,136,053</u>	<u>695,658</u>
Total Liabilities and Net Assets	<u>\$ 1,183,059</u>	<u>\$ 748,226</u>

The accompanying notes are an integral part of these financial statements.

CLINICA COLORADO
STATEMENTS OF ACTIVITIES

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>For the Year Ended December 31, 2015:</u>			
<u>Revenue, Support and Other Gains</u>			
Contributions	\$ 30,805	\$ 29,845	\$ 60,650
Government grants and contracts	914,360	0	914,360
Patient fees	464,491	0	464,491
Other income	258	0	258
In-kind	36,675	0	36,675
Net assets released from restrictions	<u>19,504</u>	<u>(19,504)</u>	<u>0</u>
Total Support and Revenue	<u>1,466,093</u>	<u>10,341</u>	<u>1,476,434</u>
Expenses			
Program services	917,579		917,579
Management and general	86,266		86,266
Fundraising	<u>32,194</u>		<u>32,194</u>
Total expenses	<u>1,036,039</u>		<u>1,036,039</u>
Changes in net assets	430,054	10,341	440,395
Net assets at beginning of year	<u>659,483</u>	<u>36,175</u>	<u>695,658</u>
Net assets at end of year	<u>\$ 1,089,537</u>	<u>\$ 46,516</u>	<u>\$ 1,136,053</u>
<u>For the Year Ended December 31, 2014:</u>			
<u>Revenue, Support and Other Gains</u>			
Contributions	\$ 67,172	\$ 43,925	\$ 111,097
Government grants and contracts	576,293	0	576,293
Patient fees	479,382	0	479,382
Other income	3,505	0	3,505
In-kind	45,128	0	45,128
Net assets released from restrictions	<u>31,500</u>	<u>(31,500)</u>	<u>0</u>
Total Support and Revenue	<u>1,202,980</u>	<u>12,425</u>	<u>1,215,405</u>
Expenses			
Program services	830,660		830,660
Management and general	104,252		104,252
Fundraising	<u>34,669</u>		<u>34,669</u>
Total expenses	<u>969,581</u>		<u>969,581</u>
Changes in net assets	233,399	12,425	245,824
Net assets at beginning of year	<u>426,084</u>	<u>23,750</u>	<u>449,834</u>
Net assets at end of year	<u>\$ 659,483</u>	<u>\$ 36,175</u>	<u>\$ 695,658</u>

The accompanying notes are an integral part of these financial statements.

CLINICA COLORADO
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 484,729	\$ 46,073	\$ 20,384	\$ 551,186
Payroll taxes and benefits	52,017	4,944	2,188	59,149
Lab fees	70,580	0	0	70,580
Medical services	69,763	0	0	69,763
Office supplies	16,812	1,597	708	19,117
Repair and maintenance	14,853	1,412	624	16,889
Insurance	15,505	668	296	16,469
Occupancy	82,625	7,854	3,474	93,953
Professional fees	85,188	10,995	0	96,183
Communications	17,139	1,629	721	19,489
Other expenses	5,537	10,937	3,730	20,204
	<u>914,748</u>	<u>86,109</u>	<u>32,125</u>	<u>1,032,982</u>
Depreciation	<u>2,831</u>	<u>157</u>	<u>69</u>	<u>3,057</u>
Total	<u>\$ 917,579</u>	<u>\$ 86,266</u>	<u>\$ 32,194</u>	<u>\$ 1,036,039</u>

For the Year Ended December 31, 2014:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 442,267	\$ 59,121	\$ 22,857	\$ 524,245
Payroll taxes and benefits	37,002	5,730	2,067	44,799
Lab fees	66,866	0	0	66,866
Medical services	91,277	0	0	91,277
Office supplies	13,317	2,028	688	16,033
Repair and maintenance	7,223	952	373	8,548
Insurance	14,927	2,219	65	17,211
Occupancy	73,194	9,647	3,783	86,624
Professional fees	62,532	11,100	0	73,632
Communications	15,432	2,034	798	18,264
Other expenses	6,071	10,540	4,038	20,649
	<u>830,108</u>	<u>103,371</u>	<u>34,669</u>	<u>968,148</u>
Depreciation	<u>552</u>	<u>881</u>	<u>0</u>	<u>1,433</u>
Total	<u>\$ 830,660</u>	<u>\$ 104,252</u>	<u>\$ 34,669</u>	<u>\$ 969,581</u>

The accompanying notes are an integral part of these financial statements.

CLINICA COLORADO
STATEMENTS OF CASH FLOWS

<u>For the Years Ended December 31,</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from:		
Donations	\$ 60,650	\$ 111,097
Clients and government agencies	1,171,354	963,205
Interest	258	155
Other income	0	3,350
Cash paid to suppliers and employees	<u>(1,003,607)</u>	<u>(916,863)</u>
Net cash provided by operating activities	<u>228,655</u>	<u>160,944</u>
Cash flows from investing activities		
Purchase of investments	(150)	(100,100)
Purchase of fixed assets	<u>(16,067)</u>	<u>0</u>
Net cash used in investing activities	<u>(16,217)</u>	<u>(100,100)</u>
Net change in cash and cash equivalents	212,438	60,844
Cash and cash equivalents at beginning of year	<u>237,794</u>	<u>176,950</u>
Cash and cash equivalents at end of year	<u>\$ 450,232</u>	<u>\$ 237,794</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 440,395	\$ 245,824
Adjustments		
Depreciation	3,057	1,433
Changes in operating assets and liabilities		
Accounts receivable	14,681	(24,709)
Promises to give	(222,178)	(67,761)
Prepaid expenses	(1,738)	1,258
Accounts payable and accrued liabilities	<u>(5,562)</u>	<u>4,899</u>
Net cash provided by operating activities	<u>\$ 228,655</u>	<u>\$ 160,944</u>

The accompanying notes are an integral part of these financial statements.

CLINICA COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Clinica Colorado (the Organization) is a nonprofit corporation health care facility operating in Adams County, Colorado. The Organization operates to provide a medical home for those in need. The Organization's mission is to provide quality, low-cost healthcare for those who are indigent, without health insurance, or unable to obtain primary care services. The Organization is supported primarily through contributions from individuals, corporations, foundations, and government grants and contracts.

The Organization's services include the full range of preventive and primary care delivered in a family medicine model, creating a true medical home for thousands of uninsured individuals in the Denver metropolitan area. The bilingual staff serves a majority of patients who are monolingual Spanish speakers.

The significant accounting policies are described below.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Board designated unrestricted funds represent amounts the Board has set aside to fund future operations.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Accounts Receivable

The Organization states accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2015 and 2014, management believes all accounts receivable are fully collectible and no allowance is recorded.

Revenue Recognition

The Organization charges nominal fees for providing medical services to its patients. Revenues for medical services are recorded as they are received, due to the financial instability of the patients served.

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

CLINICA COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods and services are reflected in the accompanying financial statement at their estimated value at date of receipt. The Organization recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$5,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements. Clinica Colorado is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Colorado state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's ending open audit periods are December 31, 2012 through 2015. The Organization believes it has no material unrelated business income tax liability or significant uncertain tax positions for the years ended December 31, 2015 and 2014.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Subsequent Events

The Organization's financial statements were available to be issued on March 24, 2016, and this is the date through which subsequent events were evaluated. The Organization did not identify any subsequent events requiring disclosure.

CLINICA COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments held as of December 31, 2015 and 2014 consist of a six month certificate of deposit.

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides 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). All of Clinica Colorado's investments are valued using Level 1, which are described as inputs to the valuation methodology which are unadjusted quoted prices for identical assets or liabilities in active markets that Clinica Colorado has the ability to access.

NOTE 3 - PROMISES TO GIVE

As a Primary Care Fund Provider, the Organization has received unconditional promises to give in the amount of \$831,426 and \$528,968 in 2015 and 2014 from the Colorado Department of Health Care Policy and Financing. The outstanding balances, net of allowances of \$37,000 and \$24,000, were \$594,904 and \$372,726 as of December 31, 2015 and 2014. The Organization expects to receive all of its promises to give within one year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 23,237	\$ 7,169
Less accumulated depreciation	<u>(7,401)</u>	<u>(4,343)</u>
Net property and equipment	<u>\$ 15,836</u>	<u>\$ 2,826</u>

NOTE 5 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of the donated services provided by professional medical providers.

In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria for recognition.

NOTE 6 - OPERATING LEASES

The Organization leases equipment and its medical facility under the terms of non-cancelable operating leases. The term of the leases expire in April 2019. Total lease expense for the year ended December 31, 2015 and 2014 was \$82,215 and \$75,218.

CLINICA COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - OPERATING LEASES (CONTINUED)

Future minimum lease payments under operating leases as of December 31, 2015:

2016	\$	64,179
2017		25,748
2018		3,678
2019		1,026

NOTE 7 - CONCENTRATIONS

Forty-two percent of the 2015 and thirty-one percent of 2014 total revenue, support, and other gains were received from one grantor. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

	<u>2015</u>	<u>2014</u>
As of December 31, 2015 and 2014, temporarily restricted net assets were available for the following restricted purposes:		
Patient fee assistance	\$ 30,266	\$ 31,175
Colorectal screenings	8,750	0
Prenatal care	7,500	5,000
	<u>\$ 46,516</u>	<u>\$ 36,175</u>

Temporarily restricted net assets were released from donor restrictions by satisfying the restricted purposes as follows:

Patient fee assistance	\$ 6,004	\$ 21,500
Behavioral health	1,000	0
Prenatal care	12,500	10,000
	<u>\$ 19,504</u>	<u>\$ 31,500</u>

NOTE 9 - ENDOWMENTS

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the original value of the 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. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' original value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until budgetary appropriations by the Organization for expenditure.

CLINICA COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - ENDOWMENTS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate term and quasi-endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

The Organization did not have any outstanding endowments as of December 31, 2015 and 2014. Changes in term endowments for the years ended December 31, 2015 and 2014, are reflected in the statements of activities.