

**CLINICA COLORADO**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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## Independent Auditor's 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, 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 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 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 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, 2013 and 2012, 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.

*Pyzdek & Adams, LLC*

March 18, 2014  
Denver, Colorado

CLINICA COLORADO  
STATEMENTS OF FINANCIAL POSITION

December 31,	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 176,950	\$ 95,227
Accounts receivable	1,273	907
Promises to give, net of allowance	304,965	291,566
Prepaid expense	10,056	6,287
Property and equipment, net of accumulated depreciation	<u>4,259</u>	<u>3,378</u>
Total Assets	<u>\$ 497,503</u>	<u>\$ 397,365</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	<u>\$ 47,669</u>	<u>\$ 55,351</u>
<u>Net assets</u>		
Unrestricted	426,084	342,014
Board designated – Patient Assistance Fund	<u>23,750</u>	<u>0</u>
Total unrestricted net assets	<u>449,834</u>	<u>342,014</u>
Total Liabilities and Net Assets	<u>\$ 497,503</u>	<u>\$ 397,365</u>

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

CLINICA COLORADO  
STATEMENTS OF ACTIVITIES

<u>For the Years Ended December 31,</u>	<u>2013</u>	<u>2012</u>
<u>Revenue, Support and Other Gains</u>		
Contributions - unrestricted	\$ 94,797	\$ 139,589
Government grants and contracts	415,692	399,398
Patient fees	366,294	263,989
Other income	376	28
In-kind	<u>29,430</u>	<u>127,875</u>
Total, revenue, support and other gains	<u>906,589</u>	<u>930,879</u>
<u>Expenses</u>		
Program services	636,292	518,468
Management and general	124,339	93,856
Fundraising	<u>38,138</u>	<u>13,126</u>
Total expenses	<u>798,769</u>	<u>625,450</u>
Changes in net assets	107,820	305,429
Net assets at beginning of year	<u>342,014</u>	<u>36,585</u>
Net assets at end of year	<u>\$ 449,834</u>	<u>\$ 342,014</u>

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

CLINICA COLORADO  
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 338,821	\$ 78,473	\$ 27,061	\$ 444,355
Payroll taxes and benefits	39,899	9,241	3,187	52,327
Advertising	730	0	0	730
Lab fees	52,222	0	0	52,222
Medical services	50,453	0	0	50,453
Office supplies	7,252	1,680	579	9,511
Repair and maintenance	7,771	1,800	621	10,192
Insurance	12,994	452	73	13,519
Occupancy	60,906	14,106	4,865	79,877
Professional fees	43,139	10,253	0	53,392
Telephone	13,434	3,112	1,073	17,619
Other expenses	8,118	4,379	679	13,176
	<u>635,739</u>	<u>123,496</u>	<u>38,138</u>	<u>797,373</u>
Depreciation	553	843	0	1,396
Total	<u>\$ 636,292</u>	<u>\$ 124,339</u>	<u>\$ 38,138</u>	<u>\$ 798,769</u>

For the Year Ended December 31, 2012:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 211,521	\$ 55,179	\$ 9,197	\$ 275,897
Payroll taxes and benefits	21,469	5,601	933	28,003
Advertising	60	0	0	60
Lab fees	40,941	0	0	40,941
Medical services	147,093	0	0	147,093
Office supplies	7,865	2,076	342	10,283
Repair and maintenance	1,276	6,332	55	7,663
Insurance	14,952	1,908	41	16,901
Occupancy	52,321	13,649	2,275	68,245
Professional fees	11,938	1,100	0	13,038
Telephone	5,856	2,426	255	8,537
Other expenses	2,623	5,159	28	7,810
	<u>517,915</u>	<u>93,430</u>	<u>13,126</u>	<u>624,471</u>
Depreciation	553	426	0	979
Total	<u>\$ 518,468</u>	<u>\$ 93,856</u>	<u>\$ 13,126</u>	<u>\$ 625,450</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>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from:		
Donations	\$ 94,797	\$ 139,589
Clients and government agencies	768,221	371,046
Other income	376	28
Cash paid to suppliers and employees	<u>(779,394)</u>	<u>(451,457)</u>
Net cash provided by operating activities	84,000	59,206
Cash flows from investing activities		
Purchase of fixed assets	<u>(2,277)</u>	<u>0</u>
Net change in cash and cash equivalents	81,723	59,206
Cash and cash equivalents at beginning of year	<u>95,227</u>	<u>36,021</u>
Cash and cash equivalents at end of year	<u>\$ 176,950</u>	<u>\$ 95,227</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 107,820	\$ 305,429
Adjustments		
Depreciation	1,396	979
Changes in operating assets and liabilities		
Accounts receivable	(13,399)	(775)
Promises to give	(366)	(291,566)
Prepaid expenses	(3,769)	3,433
Accounts payable and accrued liabilities	<u>(7,682)</u>	<u>41,706</u>
Net cash provided by operating activities	<u>\$ 84,000</u>	<u>\$ 59,206</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.

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. However, 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 \$1,500. 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, 2011, 2012, and 2013. The Organization believes it has no material unrelated business income tax liability or significant uncertain tax positions for the years ended December 31, 2013 and 2012.

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 21, 2014 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 - PROMISES TO GIVE

As a Primary Care Fund Provider, the Organization has received unconditional promises to give in the amount of \$434,618 and \$388,755 in 2013 and 2012 from the Colorado Department of Health Care Policy and Financing. The outstanding balances, net of allowances of \$21,000 and \$0, were \$325,965 and \$291,566 as of December 31, 2013 and 2012. The Organization expects to receive all of its promises to give within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 7,169	\$ 4,892
Less accumulated depreciation	<u>(2,910)</u>	<u>(1,514)</u>
Net property and equipment	<u>\$ 4,259</u>	<u>\$ 3,378</u>

NOTE 4 - 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 5 - OPERATING LEASES

The Organization leases its medical facility and ultrasound equipment under the terms of non-cancelable operating leases. The term of the leases expire through October 2017. Total lease expense for the year ended December 31, 2013 and 2012 was \$70,804 and \$3,575.

Future minimum lease payments under operating leases as of December 31, 2013:

2014	\$ 49,667
2015	56,167
2016	60,501
2017	22,070

NOTE 6 - CONCENTRATIONS

Forty-four percent of 2013 and forty-two percent of the 2012 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.

CLINICA COLORADO  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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.

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, 2013 and 2012.