

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.

**Financial Statements
December 31, 2009
With Independent Auditors' Report**

Romek, Sanders & Company, P.C.

Certified Public Accountants

Members of American Institute of Certified Public Accountants
and Arizona Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Neighborhood Christian Clinic, Inc.

We have audited the accompanying statement of financial position of The Neighborhood Christian Clinic, Inc. (an Arizona corporation, not for profit) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit 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 Organization'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 audit provides 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 The Neighborhood Christian Clinic, Inc. at December 31, 2009, and the changes in its net assets, functional expenses and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Romek Sanders & Company, P.C.

May 21, 2010

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Statement of Financial Position
December 31, 2009

ASSETS	
Cash	\$ 244,248
Investments (NOTE 2)	10,000
Prepaid expenses	9,589
Inventory	94,772
Property and equipment, at cost, less accumulated depreciation (NOTE 3)	<u>643,641</u>
Total assets	<u><u>\$ 1,002,250</u></u>
 LIABILITIES	
Accounts payable	\$ 28,194
Accrued expenses	<u>8,715</u>
Total liabilities	<u>36,909</u>
 NET ASSETS	
Unrestricted	
Undesignated	321,700
Net investment in property and equipment	<u>643,641</u>
Total net assets	<u>965,341</u>
Total liabilities and net assets	<u><u>\$ 1,002,250</u></u>

The accompanying notes are an integral part of this statement

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions and grants	\$ 526,029	\$ 101,000	\$ 627,029
In-kind contributions	420,637	0	420,637
Patient receipts	163,217	0	163,217
Special events, net of direct benefits of \$45,691	56,229	0	56,229
Interest and dividends	239	0	239
Miscellaneous	40	0	40
Net assets released from restrictions (NOTE 4):			
Satisfaction of program restrictions	171,000	(171,000)	0
Total revenues and other support	1,337,391	(70,000)	1,267,391
EXPENSES			
Program services:			
Medical services	1,368,572	0	1,368,572
Total program services	1,368,572	0	1,368,572
Supporting activities:			
Fundraising	115,070	0	115,070
General and administrative	102,220	0	102,220
Total supporting activities	217,290	0	217,290
Total expenses	1,585,862	0	1,585,862
CHANGE IN NET ASSETS	(248,471)	(70,000)	(318,471)
NET ASSETS, beginning of year	1,213,812	70,000	1,283,812
NET ASSETS, end of year	\$ 965,341	\$ 0	\$ 965,341

The accompanying notes are an integral part of this statement

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services		Supporting Activities		Total
	Medical Services	Fundraising	General and Administrative	Total Supporting Activities	
Salaries and related benefits	\$ 546,606	\$ 35,814	\$ 47,505	\$ 83,319	\$ 629,925
Contributed goods and services	469,511	0	0	0	469,511
Laboratory	73,962	0	0	0	73,962
Medical and dental supplies	49,828	0	0	0	49,828
Pharmacy	47,508	0	0	0	47,508
Radiology	16,758	0	0	0	16,758
Transcription	21,450	0	0	0	21,450
Advertising	0	10,148	0	10,148	10,148
Education	937	0	843	843	1,780
Events	0	18,762	0	18,762	18,762
Equipment	3,951	0	0	0	3,951
Facilities	23,930	0	6,977	6,977	30,907
Information technology	25,928	0	0	0	25,928
Insurance	20,870	0	4,117	4,117	24,987
Licenses/fees	3,647	0	6,096	6,096	9,743
Materials and supplies	0	41	5,422	5,463	5,463
Printing and postage	0	12,092	1,663	13,755	13,755
Professional and outside services	0	37,800	14,947	52,747	52,747
Recruitment	2,496	0	0	0	2,496
Miscellaneous	0	413	13,081	13,494	13,494
Depreciation	61,190	0	1,569	1,569	62,759
Total expenses	\$ 1,368,572	\$ 115,070	\$ 102,220	\$ 217,290	\$ 1,585,862

The accompanying notes are an integral part of this statement

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Statement of Cash Flows
For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ (318,471)</u>
Adjustments to reconcile change in net assets to net cash (used) by operating activities	
Depreciation	62,759
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Investments	(10,000)
Prepaid expenses	985
Inventory	46,639
Increase (decrease) in liabilities:	
Accounts payable	20,624
Accrued expenses	<u>(9,592)</u>
Total adjustments	<u>111,415</u>
Net cash (used) by operating activities	<u>(207,056)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment purchases	<u>(13,893)</u>
Net cash (used) by investing activities	<u>(13,893)</u>
NET (DECREASE) IN CASH	(220,949)
CASH, beginning of year	<u>465,197</u>
CASH, end of year	<u><u>\$ 244,248</u></u>

The accompanying notes are an integral part of this statement

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies

Description of Organization

The Neighborhood Christian Clinic, Inc. (the "Clinic") is a faith-based clinic located in Phoenix, Arizona. Its mission is to meet the medical needs of the medically uninsured, under-served population of urban Phoenix; share the gospel of Jesus Christ with interested patients and colleagues; and disciple Christian health care professionals to train and equip them to carry out this mission. They receive their funding primarily through grants and individual donations. The Clinic opened in May 1999 and constructed and moved to its current facility during 2003.

The Clinic is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state laws. Contributions to the Clinic are tax deductible within the limitations described by the Code.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC, *Not-for-Profit Entities, Presentation of Financial Statements*, which requires the Clinic to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily restricted or permanently restricted net assets at December 31, 2009.

Temporarily Restricted Amounts

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the 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.

Gifts of land, buildings, and equipment are reported as unrestricted support unless 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 explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Use of 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.

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosure*, establishes a three tier 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 lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Clinic has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on the assumptions of the financial institution where the assets are held, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Donated Assets and Services

Donations of supplies and services are recorded as contributions at their estimated fair value at the date of donation. In addition, a substantial number of unpaid volunteers have made certain significant contributions of their time to the Clinic. Generally accepted accounting principles require that contributed services meeting specific criteria be valued and recorded in the financial statements.

Management has valued and recorded contributed services and assets in the amount of \$420,637 consisting of medical supplies and medical, dental and translating services.

Inventory

Inventory consists primarily of medical supplies and is stated at the lower of cost or market or at the fair value at the date of donation, and is determined by the first-in, first-out method.

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost or, for donated assets, the fair value at the date of donation. Maintenance and repairs are expensed as incurred; significant acquisitions and improvements with a cost of \$1,000 for buildings and \$500 for equipment and a useful life of more than one year are capitalized.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furnishings and equipment	3 - 5 years
Building	25 years

Functional Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program services and supporting activities. Expenses related to more than one function are charged to program services and supporting activities on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Clinic.

Statement of Cash Flows – Supplemental Information

No cash was paid for interest or income taxes during the year.

During the year, the Clinic received donated pharmacy inventory valued at \$328,720 and used \$377,594.

NOTE 2 – Investment

The investments consist of pooled funds held by a community foundation and are accounted for under FASB ASC fair-value hierarchy at December 31, 2009, as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 7,000	\$ 0	\$ 0	\$ 7,000
Fixed income investments	0	3,000	0	3,000
Total	\$ 7,000	\$ 3,000	\$ 0	\$ 10,000

THE NEIGHBORHOOD CHRISTIAN CLINIC, INC.
Notes to Financial Statements
December 31, 2009

NOTE 3 – Property and Equipment

Property and equipment consist of the following:

Building	\$ 702,046
Equipment	228,163
Database/records project	13,893
Furnishings	<u>14,655</u>
	958,757
Accumulated depreciation	<u>(315,116)</u>
	<u>\$ 643,641</u>

Depreciation expense for the year was \$62,759.

NOTE 4 – Temporarily Restricted Expenses

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Nurse practitioner	\$ 51,000
Dental operations	<u>120,000</u>
	<u>\$ 171,000</u>

NOTE 5 – Lease Agreement

In 2002, the Clinic entered into a twenty-five year lease agreement with another not-for-profit organization for land on which the Clinic has constructed its facility. The lease requires annual rent of \$1, and has the option for an additional twenty-five years, provided no event of default has occurred. The fair value of the contributed rent is not significant and has not been recorded.

NOTE 6 – Retirement Plan

The Clinic has a defined contribution plan under Internal Revenue Code Section 403(b) for all qualified employees. The Clinic matches employee contributions up to 5%. Total contributions to the plan for the year were \$11,731.

NOTE 7 – Subsequent Events

Management has evaluated subsequent events through May 21, 2010, which is the date the financial statements were available to be issued.