

**Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center**

Independent Auditor's Report and Financial Statements

April 30, 2015 and 2014

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center
April 30, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center
Lawrence, Kansas

We have audited the accompanying financial statements of Heartland Medical Clinic, Inc., d/b/a Heartland Community Health Center (the "Organization"), which comprise the balance sheets as of April 30, 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 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.

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heartland Medical Clinic, Inc., d/b/a Heartland Community Health Center as of April 30, 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.

BKD, LLP

Springfield, Missouri
September 4, 2015

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Balance Sheets
April 30, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash	\$ 439,690	\$ 74,418
Patient accounts receivable, net of allowance; 2015 - \$11,600, 2014 - \$8,700	68,767	70,473
Grants and other receivables	1,035	7,500
Contributions receivable - current	7,000	100,000
Estimated amounts due from third-party payers	-	26,200
Prepaid expenses and other	43,129	14,789
	<hr/>	<hr/>
Total current assets	559,621	293,380
	<hr/>	<hr/>
Property and Equipment, At Cost		
Buildings and leasehold improvements	279,834	275,154
Furniture and fixtures	22,752	16,400
	<hr/>	<hr/>
	302,586	291,554
Less accumulated depreciation	287,770	286,199
	<hr/>	<hr/>
	14,816	5,355
	<hr/>	<hr/>
Total assets	\$ 574,437	\$ 298,735
	<hr/>	<hr/>

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 32,140	\$ 106,955
Accounts payable	4,220	9,584
Accrued expenses	78,639	64,193
Deferred grant revenue	19,523	14,799
	<hr/>	<hr/>
Total current liabilities	134,522	195,531
	<hr/>	<hr/>
Long-Term Debt	44,553	-
	<hr/>	<hr/>
Total liabilities	179,075	195,531
	<hr/>	<hr/>
Net Assets		
Unrestricted	346,461	(19,831)
Temporarily restricted	48,901	123,035
	<hr/>	<hr/>
Total net assets	395,362	103,204
	<hr/>	<hr/>
Total liabilities and net assets	\$ 574,437	\$ 298,735
	<hr/>	<hr/>

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center
Statements of Operations
Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 845,782	\$ 279,522
Provision for uncollectible accounts	<u>18,992</u>	<u>12,740</u>
Net patient service revenue less provision for uncollectible accounts	826,790	266,782
Grant revenue	1,114,657	932,650
Contributions	187,098	178,966
Other	28,342	25,378
Net assets released from restrictions used for operations	<u>124,412</u>	<u>143,800</u>
Total unrestricted revenues, gains and other support	<u>2,281,299</u>	<u>1,547,576</u>
Expenses and Losses		
Salaries and wages	1,120,270	756,337
Employee benefits	189,743	135,681
Purchased services and professional fees	279,608	305,311
Supplies and other	237,601	292,294
Rent	82,800	81,600
Depreciation	1,571	1,465
Interest	<u>3,414</u>	<u>4,939</u>
Total expenses and losses	<u>1,915,007</u>	<u>1,577,627</u>
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets	<u><u>\$ 366,292</u></u>	<u><u>\$ (30,051)</u></u>

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center
Statements of Changes in Net Assets
Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	\$ 366,292	\$ (30,051)
	<u>366,292</u>	<u>(30,051)</u>
Increase (decrease) in unrestricted net assets		
Temporarily Restricted Net Assets		
Contributions	50,278	210,000
Net assets released from restriction	(124,412)	(143,800)
	<u>(74,134)</u>	<u>66,200</u>
Increase (decrease) in temporarily restricted net assets		
Change in Net Assets	292,158	36,149
Net Assets, Beginning of Year	<u>103,204</u>	<u>67,055</u>
Net Assets, End of Year	<u>\$ 395,362</u>	<u>\$ 103,204</u>

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center
Statements of Cash Flows
Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 292,158	\$ 36,149
Items not requiring operating cash flow		
Depreciation	1,571	1,465
Changes in		
Patient accounts receivable, net	1,706	(50,737)
Grants receivable	6,465	108,385
Contributions receivable	93,000	(90,000)
Estimated amounts due from and to third-party payers	26,200	(2,200)
Prepaid expenses and other assets	(28,340)	(368)
Accounts payable and accrued expenses	9,082	7,359
Deferred revenue	4,724	14,799
	<u>406,566</u>	<u>24,852</u>
Net cash provided by operating activities		
	<u>406,566</u>	<u>24,852</u>
Investing Activities		
Purchase of property and equipment	<u>(11,032)</u>	<u>-</u>
Net cash used in investing activities	<u>(11,032)</u>	<u>-</u>
Financing Activities		
Principal payments on long-term debt	<u>(30,262)</u>	<u>(27,646)</u>
Net cash used in financing activities	<u>(30,262)</u>	<u>(27,646)</u>
Increase (Decrease) in Cash	365,272	(2,794)
Cash, Beginning of Year	<u>74,418</u>	<u>77,212</u>
Cash, End of Year	<u>\$ 439,690</u>	<u>\$ 74,418</u>
Supplemental Cash Flows Information		
Interest paid	\$ 3,414	\$ 4,939

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

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

Nature of Operations

Heartland Medical Clinic, Inc., d/b/a Heartland Community Health Center (the “Organization”), is a community based health center that became a federally qualified health center effective June 1, 2012. The Organization primarily earns revenues by providing physician and related health care and education services to patients through a clinic located in Lawrence, Kansas.

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

At April 30, 2015, the Organization’s cash accounts exceeded federally insured limits by approximately \$212,000.

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 of 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 service 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 uncollectible accounts.

Heartland Medical Clinic, Inc.

d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

The Organization's allowance for uncollectible accounts for self-pay patients decreased from 89% of self-pay accounts receivable at April 30, 2014, to 72% of self-pay accounts receivable at April 30, 2015. In addition, the Organization's write-offs were unchanged at approximately \$16,000 for the years ended April 30, 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 are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Buildings and leasehold improvements	7-20 years
Furniture and fixtures	5-7 years

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items or a portion thereof may be reclaimed by the federal government if not used to further the grant's objectives.

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 April 30, 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.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 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 Program” which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources 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 a contract arrangement with the Organization. Reported 340B revenue consists of the gross pharmacy reimbursements.

	2015	2014
Gross receipts	\$ 34,902	\$ 19,181
Drug replenishment costs	(5,316)	(4,195)
Administrative and filling fees	(10,489)	(7,745)
	<u>\$ 19,097</u>	<u>\$ 7,241</u>

The 340B gross receipts are included in net patient service revenue in the statement of operations. The drug replenishment costs and administrative and filling fees are included in supplies and other expense in the statement of operations. The net 340B revenue from this program is used in furtherance of the Organization’s mission.

Government Grants

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.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

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 and cash received with donor stipulations are reported as temporarily 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. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of rent and food pantry items. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. During the years ended April 30, 2015 and 2014, the Organization received in-kind contributions of \$54,511 and \$63,381, 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 four 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 fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

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 period.

The Organization has recorded revenue of approximately \$0 and \$21,250 for 2015 and 2014, respectively, which is included in other revenue within operating revenues in the statement of operations.

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 of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Grant Revenue

The Organization is the recipient of a Consolidated 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 service delivery for residents of Lawrence, Kansas, and surrounding areas. 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 April 30, 2015 and 2014, the Organization recognized \$914,593 and \$738,712, respectively, in CHC grant revenue. Funding for the grant year ending April 30, 2016, is approved at \$1,017,218.

In addition to the above grants, the Organization receives additional financial support from other federal, state and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

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 are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on either a prospective payment system (PPS) or the alternative prospective payment system (APPS). The Organization has chosen to be reimbursed using the APPS which changed effective January 1, 2013. The Organization is reimbursed a set encounter rate for all services under the plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

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 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 and discounts from established charges.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements
April 30, 2015 and 2014

Patient service revenue, net of contractual allowances and discounts, recognized in the years ended April 30, 2015 and 2014, was approximately:

	2015	2014
Medicare	\$ 154,526	\$ 58,166
Medicaid	415,400	114,994
Other third-party payers	125,966	40,993
Self-pay	149,890	65,369
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Total	<u>\$ 845,782</u>	<u>\$ 279,522</u>

Note 4: Concentrations 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 April 30, 2015 and 2014, is:

	2015	2014
Medicare	22%	66%
Medicaid	49%	20%
Other third-party payers	22%	13%
Self-pay	7%	1%
	<hr/>	<hr/>
	100%	100%
	<hr/>	<hr/>

Note 5: Medical Malpractice Claims

Effective July 31, 2014, 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. The Organization also purchases medical malpractice insurance under a claims-made policy on a fixed premium basis.

Claim liabilities are determined without consideration of 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 cost for the years ended April 30, 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 medical claim.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements
April 30, 2015 and 2014

Note 6: Long-Term Debt

At April 30, 2015 and 2014, the Organization's long-term debt consisted of:

	2015	2014
Note payable, bank (A)	\$ 76,693	\$ 102,506
Installment note payable (B)	-	4,449
	<u>76,693</u>	<u>106,955</u>
Less current maturities	<u>32,140</u>	<u>106,955</u>
	<u><u>\$ 44,553</u></u>	<u><u>\$ -</u></u>

(A) Note payable with monthly payments of \$2,854 including interest at 3.25% and a final payment of remaining principal and interest on September 15, 2017. Note is secured by security interest in a certificate of deposit of an unrelated third-party.

(B) Note payable with monthly payments of \$898 including interest at 10%. Note was paid in full during 2015.

Aggregate annual maturities of long-term debt at April 30, 2015, are:

2016	\$ 32,140
2017	33,198
2018	<u>11,355</u>
	<u><u>\$ 76,693</u></u>

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Integration of medical and behavior healthcare	\$ -	\$ 115,123
Kansas health foundation	-	7,912
Furnishings, fixtures and equipment	19,798	-
Douglas County AIDS project	14,166	-
Food pantry	<u>14,937</u>	<u>-</u>
	<u><u>\$ 48,901</u></u>	<u><u>\$ 123,035</u></u>

Heartland Medical Clinic, Inc.
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Notes to Financial Statements

April 30, 2015 and 2014

Net assets are released from donor restriction upon satisfaction of the purpose restriction or when a stipulated time restriction ends.

Purpose restrictions satisfied during the years ended April 30, 2015 and 2014, were as follows:

	2015	2014
Integration of medical and behavior healthcare	\$ 115,123	\$ 84,877
Kansas health foundation	7,912	2,088
Improving access to healthcare	-	10,000
Outreach services	-	46,835
Furnishings, fixtures and equipment	885	-
Douglas county AIDS project	492	-
	<u>\$ 124,412</u>	<u>\$ 143,800</u>

Note 8: Operating Lease

During 2015 and 2014, the Organization had an operating lease for its primary care outpatient office that automatically renewed each month for an additional 12-month term unless either party provides written cancellation or amendment notice. Subsequent to year-end, the Organization terminated the existing operating lease and entered into a 5-year operating lease and relocated its clinic to another location in Lawrence, Kansas. Future minimum lease payments under this new lease are as follows:

2016	\$ 13,629
2017	16,354
2018	16,354
2019	16,354
2020	16,354
Thereafter	<u>2,726</u>
	<u>\$ 81,771</u>

Heartland Medical Clinic, Inc.
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Notes to Financial Statements
April 30, 2015 and 2014

Note 9: Functional Expenses

The Organization provides health care services to residents within its service area. Expenses related to providing these services, including depreciation expense, are as follows:

	2015	2014
Health care services	\$ 878,806	\$ 664,035
General and administrative	<u>1,036,201</u>	<u>913,592</u>
	<u><u>\$ 1,915,007</u></u>	<u><u>\$ 1,577,627</u></u>

Note 10: Retirement Plan

The Organization offered a Simple IRA Plan to all eligible employees. The Organization matched contributions up to 3% of participating employees' compensation to the plan. The Organization incurred retirement expense of \$18,127 and \$13,501 for the years ended April 30, 2015 and 2014, respectively.

Note 11: 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:

Grant Revenues

Concentration of revenues related to grant awards and other support are 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*.

Malpractice Claims

Estimates related to the accrual for professional liability claims are described in *Note 5*.

Providers

The Organization is served by four providers whose patients comprise more than 10% of the Organization's net patient service revenue.

Heartland Medical Clinic, Inc.
d/b/a Heartland Community Health Center

Notes to Financial Statements

April 30, 2015 and 2014

Economic Environment

The current economic environment presents community health centers with difficult circumstances and challenges. As employers make adjustments to health insurance plans or more patients become unemployed, certain patients may find it difficult to pay for services rendered. The upcoming implementation of the *Affordable Care Act*, including the health insurance exchanges and the decision by the state regarding Medicaid expansion, will directly impact community health centers' net revenues. Further, the effect of economic conditions on federal and state budgets could adversely impact the grant revenues available to community health centers and the programs they administer. Each of these factors could have an adverse impact on the Organization's future operating results.