The Center for Community Health and Well-Being, Inc.
(a California Nonprofit Corporation)

Financial Statements

with Auditor's Report

For the Years Ended June 30, 2012 and 2011

Richard E. Watson, Jr.
Certified Public Accountant

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Certified Public Accountant

8 Metro Lane • Sacramento, CA 95816
(916) 606-0552 • (916) 443-4112 fax

To the Board of Directors
The Center for Community Health and Well-Being, Inc.
Sacramento, California

I have audited the accompanying balance sheets of The Center for Community Health and Well-Being, Inc. (a California Nonprofit Corporation) as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Community Health and Well-Being, Inc. (a California Nonprofit Corporation), as of June 30, 2012 and 2011, 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.

Richard E. Watson CPA

Sacramento, California
September 14, 2012

The Center for Community Health and Well-Being, Inc.
Balance Sheets
June 30, 2012 and 2011

Assets

		2012		2011
Current assets				
Cash and equivalents (note 2)	$	60,291	$	14,225
Patient accounts receivable, net of allowance for doubtful accounts of $4,000 in 2012 and 2011 (note 4)		82,930		73,876
Promises to give, current portion (note 15)		85,700		70,000
Total current assets		228,921		158,101
Fixed assets, net (note 5)		11,692		9,658
Other assets				
Promises to give, net of current portion (note 15)		140,000		0
Deposits (note 12)		5,522		5,522
Total assets	$	386,135	$	173,281

Liabilities and Net Assets

		2012		2011
Current liabilities				
Accounts payable	$	8,401	$	11,092
Payroll taxes payable (note 6)		17,446		22,547
Accrued expenses (note 6)		32,962		32,948
Lease liability (note 7)		1,846		6,967
Current portion of long term debt		7,372		22,853
Total current liabilities		68,027		96,407
Long term liabilities (note 8)				
Long term debt		28,735		35,853
Less current portion		(7,372)		(22,853)
Total long term liabilities		21,363		13,000
Total liabilities		89,390		109,407
Net assets				
Unrestricted net assets		86,745		13,874
Temporarily restricted net assets (note 13)		210,000		50,000
Total net assets		296,745		63,874
Total liabilities and net assets	$	386,135	$	173,281

The accompanying notes are an integral part of this statement.

The Center for Community Health and Well-Being, Inc.
Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012			2011		
Revenues, gains and other support:	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Net patient service revenue (note 9)	$ 749,203	-	$ 749,203	$ 857,596	-	$ 857,596
Contributed revenue	220,360	210,000	430,360	160,695	0	160,695
Inkind rent (note 11)	6,000	0	6,000	0	0	0
Net assets released from restrictions	50,000	(50,000)	0	50,000	(50,000)	0
Total revenues, gains and other support	1,025,563	160,000	1,185,563	1,068,291	(50,000)	1,018,291
Expenses:						
Payroll expense						
Salaries and wages	511,763	-	511,763	554,168	-	554,168
Payroll taxes and unemployment insurance	49,026	-	49,026	52,128	-	52,128
Employee benefits	35,893	-	35,893	45,605	-	45,605
Workers' compensation	9,142	-	9,142	14,604	-	14,604
Total payroll expense	605,824	-	605,824	666,505	-	666,505
Occupancy and facilities						
Office rental (note 7)	90,526	-	90,526	103,442	-	103,442
Inkind rent (note 11)	6,000	-	6,000	0	-	0
Taxes, maintenance, utilities and security	5,643	-	5,643	8,716	-	8,716
Total occupancy and facilities	102,169	-	102,169	112,158	-	112,158
Professional fees						
Medical billing services	40,800	-	40,800	40,800	-	40,800
Consultants and contract labor	45,227	-	45,227	51,545	-	51,545
Legal	3,475	-	3,475	2,599	-	2,599
Audit and accounting	9,196	-	9,196	13,744	-	13,744
Total professional fees	98,698	-	98,698	108,688	-	108,688
Administrative						
Insurance	21,590	-	21,590	24,726	-	24,726
Telephone and internet	10,835	-	10,835	10,337	-	10,337
Office supplies	88	-	88	728	-	728
Postage and shipping	948	-	948	1,294	-	1,294
Print and copy	8,364	-	8,364	7,664	-	7,664
Tax, license and fees	1,632	-	1,632	1,745	-	1,745
Dues, memberships and subscriptions	1,530	-	1,530	1,949	-	1,949
Bank and payroll processing fees	4,513	-	4,513	3,415	-	3,415
Marketing and advertising	2,731	-	2,731	1,739	-	1,739
Miscellaneous	3,697	-	3,697	2,384	-	2,384
Interest expense (note 8)	2,584	-	2,584	3,232	-	3,232
Small furniture and equipment	4,226	-	4,226	770	-	770
Depreciation expense	3,780	-	3,780	3,984	-	3,984
Total administrative	66,518	-	66,518	63,967	-	63,967
Direct program expenses						
Medical supplies and fees	65,274	-	65,274	76,367	-	76,367
Student achievment awards	900	-	900	3,204	-	3,204
Donations made	0	-	0	500	-	500
Supplies and food	10,455	-	10,455	8,946	-	8,946
Total program materials and supplies	76,629	-	76,629	89,017	-	89,017
Travel, conference and mileage						
Travel and mileage	479	-	479	2,256	-	2,256
Conference expense and fees	1,390	-	1,390	627	-	627
Auto repair and maintenance	1,029	-	1,029	2,591	-	2,591
Total travel, conference and mileage	2,898	-	2,898	5,474	-	5,474
Total expenses	952,736	-	952,736	1,045,809	-	1,045,809
Net operating income / (loss)	72,827	160,000	232,827	22,482	(50,000)	(27,518)
Other income:						
Interest and dividends	44	-	44	28	-	28
Increase / (decrease) in net assets	72,871	160,000	232,871	22,510	(50,000)	(27,490)
Net assets / (deficit), beginning of year	13,874	50,000	63,874	(8,636)	100,000	91,364
Net assets, end of year	$ 86,745	210,000	$ 296,745	$ 13,874	50,000	$ 63,874

The accompanying notes are an integral part of this statement.

The Center for Community Health and Well-Being, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

Cash flows from operating activities		2012		2011
Change in net assets	$	232,871	$	(27,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		3,780		3,984
Change in assets - (increase)/decrease:				
Patient accounts receivable		(9,054)		22,501
Prepaid expenses		0		2,533
Promises to give		(155,700)		30,000
Change in liabilities - increase/(decrease):				
Accounts payable		(2,691)		(8,462)
Payroll taxes payable		(5,101)		(3,810)
Accrued expenses		14		(5,845)
Lease liability		(5,121)		(2,316)
Net cash provided by operating activities		58,998		11,095
Cash flows from investing activities				
Capital expenditures		(5,814)		0
Net cash (used) by investing activities		(5,814)		0
Cash flows from financing activities				
Payments on long term debt (CPCA)		(7,118)		(22,119)
Net cash (used) by financing activities		(7,118)		(22,119)
Net increase / (decrease) in cash and cash equivalents		46,066		(11,024)
Cash at the beginning of the year		14,225		25,249
Cash at the end of the year	$	60,291	$	14,225
Supplemental information: cash interest paid	$	2,584	$	3,232

The accompanying notes are an integral part of this statement.

Note 1: Organization

Located in Sacramento, California, The Center for Community Health and Well-Being, Inc., (the "Organization") was incorporated as a California nonprofit public benefit corporation on June 14, 1991. The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Organization is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The Organization's mission is to improve the health and well-being of the Sacramento community and ensure that its families and children have the best environment in which to grow and thrive.

The Organization provides prenatal, postpartum and gynecological care to low-income women through its main clinic, The Birthing Project Clinic (established 1991) and its satellite clinic, New Beginnings Birth and Wellness Center (established 2011). Through these clinics, the Organization's goal is to ensure babies are born as healthy as possible to parents who have received timely and quality heath care. Individualized case management support plans, parenting and nutrition education and mental health services are also provided to help women and their partners develop the skills, tools and resources necessary to raise a healthy baby.

In order to diversify the Organization's revenue streams while at the same time leveraging external human resources, mental health counseling and parenting education services are offered on a fee for service basis to external clients (established 2012).

Comprehensive risk reduction and leadership programs are targeted towards female youth aged thirteen through eighteen with the Organization's Leadership and Empowerment Institute for Girls and Young Women. In order to reach the overall program goal of "reducing risks faced by adolescent females" the intended, evidenced-based outcomes, of the Institute are: (1) Increase high school graduation rates; (2) Increase knowledge and exposure to future professional and academic options; (3) Increase understanding of safe sexual behaviors and, as a result, reduce teen pregnancy rates; (4) Increase understanding of healthy relationships with self and others.

Note 2: Summary of Significant Accounting Policies

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. See Note 9.

Cash and cash equivalents
Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Property and equipment
The Organization capitalizes all expenditures in excess of $1,000 for property and equipment at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. See Note 5.

Note 2: Summary of Significant Accounting Policies (continued)

Temporarily and permanently 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 have been restricted by donors to be maintained by the Organization in perpetuity. As of June 30, 2012 and 2011, temporarily restricted net assets were $210,000 and $50,000, respectively (see Note 13). There were no permanently restricted net assets.

Net operating income

The statement of operations includes net operating income. Changes in unrestricted net assets which are excluded from net operating income, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net patient service revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. See Note 9.

Third-party contractual adjustments

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements. See Note 9.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Currently, the Organization engages in no activities that would be taxed as unrelated business income.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. See Note 15.

Note 3: Subsequent Events

Subsequent events were evaluated through September 14, 2012, which is the date the financial statements were available to be issued.

Note 4: Patient Accounts Receivable and Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements or covered under California Medi-Cal. Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based upon its assessment of the current status of individual receivables.

The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Amounts are past due when not paid by the end of the following month. Patient accounts receivable past due thirty days or more as of June 30, 2012 and 2011 totaled $21,371 and $128, respectively.

Patient receivables with a carrying amount of $82,930 and $73,876 at June 30, 2012 and 2011, respectively, and cash secure the note payable to CPCA Ventures (Note 8).

Note 5: Fixed Assets

A summary of property and equipment at June 30 is as follows:

	2012			2011		
	Cost	Accumulated Depreciation	Net Fixed Assets	Cost	Accumulated Depreciation	Net Fixed Assets
Office equipment	$70,161	(58,469)	$11,692	$64,347	(54,689)	$9,658
Office furniture	9,874	(9,874)	0	9,874	(9,874)	0
Vehicles	12,101	(12,101)	0	12,101	(12,101)	0
Totals	$92,136	(80,444)	$11,692	$86,322	(76,664)	$9,658

Depreciation expense was $3,780 and $3,984 for the years ended June 30, 2012 and 2011, respectively.

Note 6: Accrued Expenses and Payroll Taxes Payable

The Organization owes payroll taxes and related penalties and interest to the Internal Revenue Service due to its failure to timely pay payroll taxes for the quarters ended December 31, 2005 and March 31, 2007. The Organization has entered into an installment agreement with the IRS which requires a minimum payment of $300 per month. As of June 30, the balance is as follows:

	2012	2011
Payroll taxes, interest and penalties	$17,466	$22,547

The balance of accrued expenses as of June 30 consisted of:

	2012	2011
Accrued wages	$20,034	$18,375
Accrued vacation	12,928	14,573
Accrued expenses	$32,962	$32,948

Note 7: Lease Commitments

The Organization leases space for its operations at 1900 T Street in Sacramento, California, under the terms of an operating lease dated August 20, 1999, which was amended on August 31, 2004, June 18, 2007 and March 14, 2012. The provisions of the lease agreement provide for monthly payments which include a base rental amount and an additional variable amount for common area operating expenses. The lease expires on September 30, 2017. However, the Organization has the right to terminate the lease effective as of March 31, 2014, provided that written notice is delivered to the landlord as described in the third lease amendment no later than October 1, 2013.

The Organization leases space for its administrative staff at 5770 Freeport Boulevard in Sacramento, California, under the terms of a commercial sublease agreement dated June 1, 2012. Monthly rent under the sublease agreement is $225. The sublease expires on December 31, 2013.

Rent expense is recognized on a straight-line basis, and the difference between rent expense and rent paid is recorded as lease liability. Total expense under the operating leases was $90,526 and $103,442 for the years ended June 30, 2012 and 2011 respectively.

See Note 11 for a discussion of in-kind rent.

Note 7: Lease Commitments (continued)

Future minimum lease payments under operating leases as of June 30, 2012, are:

June 30,	2013	$62,112
	2014	63,062
	2015	66,213
	2016	66,413
	2017	66,413
	2018	16,603
Total		$340,816

Note 8: Long Term Liabilities

The Organization's long term debt consists of the following:	2012	2011
Note payable secured by accounts receivable, cash and fixed assets to CPCA Ventures in the original amount of $88,702. The note bears interest at the rate of 3.175% per annum and is due in full on July 1, 2016. Monthly payments of principal and interest are $681. Interest expense for the years ended June 30 2012 and 2011 was $1,059 and $1,542, respectively.	$28,735	$35,853
Less current portion	(7,372)	(22,853)
Total long term liabilities	$21,363	$13,000

Interest expense for the years ended June 30, 2012 and 2011, including IRS interest discussed in Note 6, was $2,584 and $3,232, respectively.

Note 8: Long Term Liabilities (continued)

Aggregate maturities of long-term debt for the next five years are as follows:

June 30, 2013	$7,372
2014	7,609
2015	7,855
2016	5,899
2017	0
Total	$28,735

Note 9: Net Patient Service Revenue and Vulnerability Due to Concentration

The Organization participates as a provider of health care services to California Medi-Cal patients. The Organization also has 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. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Laws and regulations governing the Medi-Cal program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revenue from the Medi-Cal program accounted for approximately 76% and 74% of the Organization's net patient service revenue for the years ended June 30, 2012 and 2011, respectively.

Note 10: Medical Malpractice Insurance

The Organization purchases professional and general liability insurance to cover medical malpractice claims. There are no known claims or incidents that may result in the assertion of a claim as of June 30, 2012.

Note 11: In-Kind Rent

The Organization recognizes the fair value of donated facilities as in-kind rental income and expense and receives the use of exam rooms for its New Beginnings Clinic in South Sacramento from WEAVE, Inc.

Note 12: **Deposits**

Deposits consist of the security deposit on the lease of 1900 T Street in Sacramento, California (see Note 7).

Note 13: **Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30:

	2012	2011
California Wellness Foundation - operating support for July 1, 2009 through June 30, 2012.	$0	$50,000
California Wellness Foundation - operating support for July 1, 2012 to June 30, 2015.	210,000	0

Note 14: **Functional Expenses**

Expenses by function for the year ended June 30, were as follows:

	2012	2011
Program Services:		
Clinic pre-natal care and teen risk reduction	$848,000	$931,000
Total program services	848,000	931,000
Supporting Services:		
Management and general	76,236	83,209
Fundraising	28,500	31,600
Total supporting services	104,736	114,809
Total expenses	$952,736	$1,045,809

Note 15: Promises to Give

Promises to give at June 30 consist of unconditional promises as follows:

	2012	2011
Due in less than one year		
Sutter Medical Health Center	$12,500	$20,000
California Wellness Foundation	70,000	50,000
Carrington College	3,200	0
Subtotal	85,700	70,000
Due in one to five years		
California Wellness Foundation	140,000	0
Subtotal	140,000	0
Total promises to give	$225,700	$70,000

Uncollectible promises are expected to be insignificant, therefore, no allowance has been made for uncollectible amounts.