

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, 2013 and 2012

Richard E. Watson, Jr.
Certified Public Accountant

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(a California Nonprofit Corporation)
Financial Statements
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8 Metro Lane • Sacramento, CA 95816
(916) 606-0552 • (916) 443-4112 fax

Independent Auditor's Report

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

I have audited the accompanying financial statements of The Center for Community Health and Well-Being, Inc. (a California Nonprofit Corporation), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and 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

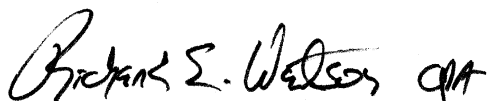
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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. as of June 30, 2013 and 2012, and 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.



Sacramento, California
September 23, 2013

The Center for Community Health and Well-Being, Inc.
Balance Sheets
June 30, 2013 and 2012

Assets		2013	2012
Current assets			
Cash and equivalents (note 2)	\$	85,786	\$ 60,291
Patient accounts receivable, net of allowance for doubtful accounts of \$4,000 in 2013 and 2012 (note 4)		64,681	82,930
Promises to give, current portion (note 15)		123,750	85,700
Contracts receivable		5,334	0
Prepaid expenses		2,606	0
Total current assets		<u>282,157</u>	<u>228,921</u>
 Fixed assets, net (note 5)		 7,677	 11,692
Other assets			
Promises to give, net of current portion (note 15)		70,000	140,000
Deposits (note 12)		5,522	5,522
 Total assets	 \$	 <u>365,356</u>	 \$ <u>386,135</u>
 Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$	18,268	\$ 8,401
Payroll taxes payable (note 6)		12,330	17,446
Grants payable (note 16)		25,000	0
Accrued expenses (note 6)		28,278	32,962
Lease liability (note 7)		6,289	1,846
Current portion of long term debt		7,609	7,372
Total current liabilities		<u>97,774</u>	<u>68,027</u>
 Long term liabilities (note 8)			
Long term debt		21,375	28,735
Less current portion		<u>(7,609)</u>	<u>(7,372)</u>
Total long term liabilities		13,766	21,363
 Total liabilities		 <u>111,540</u>	 <u>89,390</u>
Net assets			
Unrestricted net assets		101,066	86,745
Temporarily restricted net assets (note 13)		152,750	210,000
Total net assets		<u>253,816</u>	<u>296,745</u>
 Total liabilities and net assets	 \$	 <u>365,356</u>	 \$ <u>386,135</u>

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, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Net patient service revenue (note 9)	\$ 565,724	-	\$ 565,724	\$ 749,203	-	\$ 749,203
Contributed revenue	178,003	75,000	253,003	220,360	210,000	430,360
Fees for service	29,981	0	29,981	0	0	0
Inkind rent (note 11)	12,000	-	12,000	6,000	-	6,000
Net assets released from restrictions	132,250	(132,250)	0	50,000	(50,000)	0
Total revenues, gains and other support	917,958	(57,250)	860,708	1,025,563	160,000	1,185,563
Expenses:						
Payroll expense						
Salaries and wages	445,413	-	445,413	511,763	-	511,763
Payroll taxes and unemployment insurance	42,556	-	42,556	49,026	-	49,026
Employee benefits	24,391	-	24,391	35,893	-	35,893
Workers' compensation	11,626	-	11,626	9,142	-	9,142
Total payroll expense	523,986	-	523,986	605,824	-	605,824
Occupancy and facilities						
Office rental (note 7)	75,749	-	75,749	90,526	-	90,526
Inkind rent (note 11)	12,000	-	12,000	6,000	-	6,000
Taxes, maintenance, utilities and security	3,042	-	3,042	5,643	-	5,643
Total occupancy and facilities	90,791	-	90,791	102,169	-	102,169
Professional fees						
Medical billing services	40,800	-	40,800	40,800	-	40,800
Consultants and contract labor	30,104	-	30,104	45,227	-	45,227
Legal	65	-	65	3,475	-	3,475
Audit and accounting	7,785	-	7,785	9,196	-	9,196
Total professional fees	78,754	-	78,754	98,698	-	98,698
Administrative						
Insurance	23,716	-	23,716	21,590	-	21,590
Telephone and internet	12,052	-	12,052	10,835	-	10,835
Office supplies	808	-	808	88	-	88
Postage and shipping	753	-	753	948	-	948
Print and copy	9,318	-	9,318	8,364	-	8,364
Tax, license and fees	2,069	-	2,069	1,632	-	1,632
Dues, memberships and subscriptions	2,035	-	2,035	1,530	-	1,530
Bank and payroll processing fees	4,445	-	4,445	4,513	-	4,513
Marketing and advertising	6,481	-	6,481	2,731	-	2,731
Miscellaneous	2,664	-	2,664	3,697	-	3,697
Interest expense (note 8)	2,526	-	2,526	2,584	-	2,584
Small furniture and equipment	2,942	-	2,942	4,226	-	4,226
Depreciation expense	4,015	-	4,015	3,780	-	3,780
Total administrative	73,824	-	73,824	66,518	-	66,518
Direct program expenses						
Medical supplies and fees	68,631	-	68,631	65,274	-	65,274
Student achievement awards	0	-	0	900	-	900
Grant expense (note 16)	50,000	-	50,000	0	-	0
Supplies and food	9,598	-	9,598	10,455	-	10,455
Total program materials and supplies	128,229	-	128,229	76,629	-	76,629
Travel, conference and mileage						
Travel and mileage	4,852	-	4,852	479	-	479
Conference expense and fees	1,349	-	1,349	1,390	-	1,390
Auto repair and maintenance	1,936	-	1,936	1,029	-	1,029
Total travel, conference and mileage	8,137	-	8,137	2,898	-	2,898
Total expenses	903,721	-	903,721	952,736	-	952,736
Net operating income / (loss)	14,237	(57,250)	(43,013)	72,827	160,000	232,827
Other income:						
Interest and dividends	84	-	84	44	-	44
Increase / (decrease) in net assets	14,321	(57,250)	(42,929)	72,871	160,000	232,871
Net assets, beginning of year	86,745	210,000	296,745	13,874	50,000	63,874
Net assets, end of year	\$ 101,066	152,750	\$ 253,816	\$ 86,745	210,000	\$ 296,745

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, 2013 and 2012

<u>Cash flows from operating activities</u>	<u>2013</u>	<u>2012</u>
Change in net assets	\$ (42,929)	\$ 232,871
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,015	3,780
Change in assets - (increase)/decrease:		
Patient accounts receivable	18,249	(9,054)
Prepaid expenses	(2,606)	0
Promises to give	31,950	(155,700)
Contracts receivable	(5,334)	0
Change in liabilities - increase/(decrease):		
Accounts payable	9,867	(2,691)
Payroll taxes payable	(5,116)	(5,101)
Grants payable	25,000	0
Accrued expenses	(4,684)	14
Lease liability	4,443	(5,121)
Net cash provided by operating activities	<u>32,855</u>	<u>58,998</u>
<u>Cash flows from investing activities</u>		
Capital expenditures	<u>0</u>	<u>(5,814)</u>
Net cash (used) by investing activities	<u>0</u>	<u>(5,814)</u>
<u>Cash flows from financing activities</u>		
Payments on long term debt (CPCA)	<u>(7,360)</u>	<u>(7,118)</u>
Net cash (used) by financing activities	<u>(7,360)</u>	<u>(7,118)</u>
Net increase in cash and cash equivalents	25,495	46,066
Cash at the beginning of the year	<u>60,291</u>	<u>14,225</u>
Cash at the end of the year	\$ <u><u>85,786</u></u>	\$ <u><u>60,291</u></u>
Supplemental information: cash interest paid	\$ <u><u>2,526</u></u>	\$ <u><u>2,584</u></u>

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
For the Year Ended June 30, 2013

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 health 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.

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.

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, 2013 and 2012, temporarily restricted net assets were \$152,750 and \$210,000, 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).

Note 2: Summary of Significant Accounting Policies (continued)

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.

The Organization recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions relating to potential sources of unrelated business income. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and believes that its positions will be sustained upon examination.

The Organization's federal Return of Organization Exempt From Income Tax (Form 990) for 2012, 2011 and 2010, are subject to examination by the IRS, generally for three years after they were filed.

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.

Grants Payable

Grants are recognized in the period the grant is approved. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

Note 3: Subsequent Events

Subsequent events were evaluated through September 23, 2013, 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, 2013 and 2012 totaled \$7,684 and \$21,371 respectively.

Patient receivables with a carrying amount of \$64,681 and \$82,930 at June 30, 2013 and 2012, 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:

	2013			2012		
	Cost	Accumulated Depreciation	Net Fixed Assets	Cost	Accumulated Depreciation	Net Fixed Assets
Office equipment	\$70,161	(62,484)	\$7,677	\$70,161	(58,469)	\$11,692
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	(84,459)	\$7,677	\$92,136	(80,444)	\$11,692

Depreciation expense was \$4,015 and \$3,780 for the years ended June 30, 2013 and 2012, 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:

	2013	2012
Payroll taxes, interest and penalties - prior years	\$10,463	\$15,736
Accrued payroll taxes - current year	1,867	1,710
Totals	<u>\$12,330</u>	<u>\$17,446</u>

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

	2013	2012
Accrued wages	\$20,443	\$20,034
Accrued vacation	7,835	12,928
Accrued expenses	<u>\$28,278</u>	<u>\$32,962</u>

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 \$75,749 and \$90,526 for the years ended June 30, 2013 and 2012 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, 2013, are:

June 30,	2014	\$63,062
	2015	66,213
	2016	66,413
	2017	66,413
	2018	16,603
Total		<u><u>\$278,704</u></u>

Note 8: Long Term Liabilities

The Organization's long term debt consists of the following:

	2013	2012
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 2013 and 2012 was \$817 and \$1,059, respectively.	\$21,375	\$28,735
Less current portion	(7,609)	(7,372)
Total long term liabilities	<u><u>\$13,766</u></u>	<u><u>\$21,363</u></u>

Interest expense for the years ended June 30, 2013 and 2012, including IRS interest discussed in Note 6, was \$2,526 and \$2,584, respectively.

Aggregate maturities of long-term debt are as follows:

June 30, 2014	\$7,609
2015	7,855
2016	5,911
Total	<u><u>\$21,375</u></u>

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 77% and 76% of the Organization's net patient service revenue for the years ended June 30, 2013 and 2012, 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, 2013.

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:

	2013	2012
The California Endowment - Women's Health Legacy Project. January 15, 2013 to January 14, 2014.	\$12,750	\$0
The California Wellness Foundation - operating support for July 1, 2012 to June 30, 2015.	140,000	210,000
Totals	<u>\$152,750</u>	<u>\$210,000</u>

Note 14: Functional Expenses

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

	2013	2012
Program Services:		
Clinic pre-natal care and teen risk reduction	\$810,000	\$848,000
Total program services	810,000	848,000
Supporting Services:		
Management and general	68,000	76,236
Fundraising	25,721	28,500
Total supporting services	93,721	104,736
Total expenses	\$903,721	\$952,736

Note 15: Promises to Give

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

	2013	2012
Due in less than one year		
Sutter Medical Health Center	\$0	\$12,500
The California Endowment	37,750	0
The California Wellness Foundation	70,000	70,000
Dignity Health	15,000	0
Others	1,000	3,200
Subtotal	123,750	85,700
Due in one to five years		
The California Wellness Foundation	70,000	140,000
Subtotal	70,000	140,000
Total promises to give	\$193,750	\$225,700

Note 15: Promises to Give (continued)

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

Note 16: Grants

Grant expense for the year ended June 30, 2013, consisted of expenditures in connection with funding received from The California Endowment for the Women's Health Legacy Project. As of June 30, 2013, all grants payable under this Project were due within one year and were not discounted.