

# **DOCTORS CARE**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**DOCTORS CARE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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Independent Auditors' Report

To the Board of Directors of  
Doctors Care  
Littleton, Colorado

We have audited the accompanying financial statements of **Doctors Care** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Doctors Care as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Doctors Care's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor, Roth and Company PLLC*  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Denver, Colorado  
March 14, 2016

**DOCTORS CARE**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 270,744	\$ 430,327
Cash and cash equivalents - temporarily restricted	-	20,000
Accounts and contracts receivable	80,311	47,868
Grants receivable - temporarily restricted and unrestricted (Note 3)	217,500	328,705
Prepaid expenses	14,128	14,128
Investments (Note 4)	1,064,521	335,141
Property and equipment (Note 5)	2,804,546	2,843,331
Beneficial interest in assets held by others (Note 6)	294,253	303,724
Total assets	<u>\$ 4,746,003</u>	<u>\$ 4,323,224</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 18,761	\$ 8,048
Payroll related liabilities	46,781	47,390
Tenant deposits	11,698	9,805
Property taxes payable	15,555	19,000
Line of credit (Note 7)	-	-
Total liabilities	<u>92,795</u>	<u>84,243</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	1,374,409	1,071,926
Net investment in fixed assets	2,804,546	2,843,331
Temporarily restricted (Note 8)	180,000	20,000
Permanently restricted (Note 6)	294,253	303,724
Total net assets	<u>4,653,208</u>	<u>4,238,981</u>
	<u>\$ 4,746,003</u>	<u>\$ 4,323,224</u>

The accompanying notes are an integral part of these financial statements

**DOCTORS CARE**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Program service fees	\$ 1,087,052	\$ -	\$ -	\$1,087,052	\$ 947,033
Grants	324,552	631,740	-	956,292	945,291
Rental income	133,804	-	-	133,804	117,568
Primary Care Fund (Note 9)	130,530	-	-	130,530	159,226
Contributions	51,804	-	-	51,804	67,286
Other	4,304	-	-	4,304	8,664
In-kind contributions (Note 10)	352,557	-	-	352,557	573,346
Net assets released from restriction (Note 11)	471,740	(471,740)	-	-	-
Total revenue and other support	<u>2,556,343</u>	<u>160,000</u>	<u>-</u>	<u>2,716,343</u>	<u>2,818,414</u>
<u>Expense</u>					
Program services	1,977,425	-	-	1,977,425	2,062,952
<u>Supporting services</u>					
Management and general	195,256	-	-	195,256	203,780
Fund-raising	102,633	-	-	102,633	99,287
Total expense	<u>2,275,314</u>	<u>-</u>	<u>-</u>	<u>2,275,314</u>	<u>2,366,019</u>
Change before investment income	281,029	160,000	-	441,029	452,395
Investment income (loss)	(17,331)	-	(9,471)	(26,802)	13,037
Total change in net assets	263,698	160,000	(9,471)	414,227	465,432
Net assets, beginning of year	<u>3,915,257</u>	<u>20,000</u>	<u>303,724</u>	<u>4,238,981</u>	<u>3,773,549</u>
Net assets, end of year	<u>\$ 4,178,955</u>	<u>\$ 180,000</u>	<u>\$294,253</u>	<u>\$4,653,208</u>	<u>\$4,238,981</u>

The accompanying notes are an integral part of these financial statements

**DOCTORS CARE**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	Program Services	Supporting Services		Total	Total
		Manage- ment and General	Fund-raising		
Salaries	\$ 1,035,503	\$ 36,723	\$ 50,567	\$ 1,122,793	\$ 1,023,898
Payroll taxes and benefits	214,359	7,602	10,468	232,429	203,744
Contributed services - physicians	210,838	-	-	210,838	288,924
Contributed vaccines	101,428	-	-	101,428	265,197
Medical supplies	67,788	-	-	67,788	44,010
Office supplies	60,786	2,156	2,968	65,910	67,883
Utilities	19,335	19,335	4,296	42,966	46,803
Contract services	36,733	1,303	1,793	39,829	44,077
Property management	15,023	15,023	3,339	33,385	36,480
Contributed IT support	22,159	786	1,082	24,027	-
Software	21,004	745	1,026	22,775	11,879
Repair and maintenance	8,879	8,879	1,974	19,732	24,021
Professional services	14,665	3,051	-	17,716	17,587
Contributed services - medical staff	16,264	-	-	16,264	14,105
Telephone	12,276	435	600	13,311	12,888
Insurance	10,418	1,207	548	12,173	11,708
Meetings	-	7,588	3,252	10,840	7,374
Property taxes	-	10,605	-	10,605	19,000
Marketing	8,375	-	930	9,305	5,289
Dental supplies	8,232	-	-	8,232	-
Printing	6,922	245	339	7,506	12,248
Postage	3,554	762	761	5,077	5,936
Publications	3,281	364	-	3,645	5,063
Interest	-	-	-	-	20,269
Contributed services - legal	-	-	-	-	5,120
All other	3,470	2,314	1,771	7,555	8,114
	1,901,292	119,123	85,714	2,106,129	2,201,617
Depreciation	76,133	76,133	16,919	169,185	164,402
Total	<u>\$ 1,977,425</u>	<u>\$ 195,256</u>	<u>\$ 102,633</u>	<u>\$ 2,275,314</u>	<u>\$ 2,366,019</u>

The accompanying notes are an integral part of these financial statements

## DOCTORS CARE

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 414,227	\$ 383,967
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	169,185	164,402
Loss (gain) on investments and endowment	60,330	(5,647)
<u>Changes in operating assets and liabilities</u>		
(Increase) decrease in accounts and contracts receivable	(32,443)	(13,986)
(Increase) decrease in grants receivable	111,205	(227,240)
(Increase) decrease in pledges receivable	-	100,000
(Increase) decrease in prepaid expenses	-	(3,153)
Increase (decrease) in accounts payable	10,713	(15,829)
Increase (decrease) in payroll accruals	(609)	(22,902)
Increase (decrease) in tenant deposits	1,893	(1,201)
Increase (decrease) in property taxes payable	(3,445)	164
Net cash provided by operating activities	731,056	358,575
<u>Cash flows from investing activities</u>		
(Purchase) of investments	(750,000)	-
(Reinvestment) of earnings	(30,239)	(3,690)
(Additions) to fixed assets	(130,400)	(67,115)
Net cash used by investing activities	(910,639)	(70,805)
<u>Cash flows from financing activities</u>		
(Repayments) on note payable	-	(443,225)
Net cash used by financing activities	-	(443,225)
Net decrease in cash and cash equivalents	(179,583)	(155,455)
Cash and cash equivalents, beginning of year	450,327	605,782
Cash and cash equivalents, end of year	\$ 270,744	\$ 450,327
Supplemental disclosure of information:		
Cash paid during the period for interest	\$ -	\$ 20,269

The accompanying notes are an integral part of these financial statements



## DOCTORS CARE

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

#### NOTE 1 - NATURE OF ACTIVITIES

Doctors Care (the Organization) provides access to affordable health care, through a coalition of health care providers, to the medically uninsured in South Metro Denver. The Organization is supported primarily by program service fees, grant income and contributed medical services.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

##### 1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### 2. Basis of Presentation

The Organization is required 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.

##### 3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### 4. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

##### 5. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, Doctors Care reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

6. Accounts Receivable

This amount represents Medicaid billings less a 70% write down.

7. Pledges Receivable

This amount represents pledges from capital campaign. Management does not feel allowance for uncollectible pledges is necessary.

8. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

9. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

10. 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.

11. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The Organization's federal return for organizations exempt from income tax (Form 990) is subject to examination by the IRS, generally for three years after filing.

12. Functional Reporting of Expenses

For the year ended December 31, 2015, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

13. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2014, from which the summarized information was derived.

14. Subsequent Events

Management has evaluated subsequent events through March 14, 2016, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE-RESTRICTED AND UNRESTRICTED

In 2015, the Organization received multi-year restricted and unrestricted grants totaling \$454,000. At December 31, 2015, grants receivable are \$217,500. Remaining amounts to be received are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 127,500
2017	<u>90,000</u>
Total	<u>\$ 217,500</u>

NOTE 4 - INVESTMENTS

The Organization invests excess cash in mutual funds and in money market accounts with a financial institution. Investments are reported on the basis of quoted market prices (level one inputs) and consist of:

<u>Description</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,064,521</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividend income	\$ 8,745
Unrealized and realized gain (loss)	(29,365)
Endowment gain (loss) Note 6	<u>(6,420)</u>
Net investment return	<u>\$ (27,040)</u>

Additionally, during the year, the Organization earned interest income of \$238 on its cash and cash equivalents.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Building	\$ 2,200,669
Building improvements	784,682
Furniture and equipment	175,809
Computer equipment	<u>345,133</u>
Total	3,506,293
Less: accumulated depreciation	<u>(701,747)</u>
Net property and equipment	<u>\$ 2,804,546</u>

Depreciation expense for the year was \$169,185.

NOTE 6 - BENEFICIAL INTEREST OF ASSETS HELD BY OTHERS

In 2006, the Organization established an endowment fund with the Community First Foundation for operational purposes. The Foundation has variance power over the funds. Under the terms of the endowment, the contributions are held in perpetuity. Amounts appropriated for expenditure are calculated using five percent of the average of net fair market values of the three preceding calendar years. At year-end, the fund had a fair value of \$294,253.

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Permanently Restricted</u>
Balance, beginning of year	\$ 303,724
Investment income	24,545
Net appreciation	(30,965)
Less: management fees	<u>(3,051)</u>
Balance, end of year	<u>\$ 294,253</u>

NOTE 7 - LINE OF CREDIT

The Organization has established a revolving line of credit. At December 31, 2015, the balance was \$0. Interest accrues at a fixed rate of 5 percent. The line is secured by the Organization's Wells Fargo investment account and market value will be monitored on a monthly basis to ensure the loan amount does not exceed 75% of the fair value of the investment portfolio.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Team based care	\$ 100,000
Integrated behavioral health	<u>80,000</u>
Total	<u>\$ 180,000</u>

NOTE 9 - PRIMARY CARE FUND

The Department of Health Care Policy and Financing (HCPF) awards funds from the Primary Care Fund to qualifying health care clinics. The Primary Care Fund was established with proceeds from the amendment 35 tobacco tax. Award payments are based on the percentage of medically indigent patients served by an individual provider in proportion to the total number of medically indigent patients served by all health care providers who qualify for moneys from this fund.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, the Organization may be required to refund amounts to the grantor.

NOTE 10 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at their estimated value at date of receipt.

<u>Description</u>	<u>Amount</u>
Physicians	\$ 210,838
Vaccines	101,428
Technology	24,027
Other professional medical services	<u>16,264</u>
Total	<u>\$ 352,557</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 3,687 volunteer hours estimated to be valued at \$92,558.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted grants were used during the year for the following purposes:

<u>Description</u>	<u>Amount</u>
Dental implementation project	\$ 179,000
Safety net implementation	100,000
Health engagement through portal use	77,740
Team based care	50,000
Integrated behavioral health	45,000
Capital improvements	<u>20,000</u>
Total	<u>\$ 471,740</u>

NOTE 12 - PASS-THROUGH CONTRIBUTIONS

Pass-through contributions of services contributed directly to patients consist of:

<u>Description</u>	<u>Amount</u>
Hospitals	\$ 303,917
Physicians	8,031
Pharmacy	<u>1,002</u>
Total	<u>\$ 312,950</u>

With the implementation of the Affordable Care Act (ACA), the Organization has worked to transition formerly uninsured individuals onto coverage (either Medicaid or one of the federally subsidized insurance options). Bringing a payer source to these patients has resulted in a dramatic decrease in the amount of donated care provided by our hospital and physician partners. However, the organization still provides support services needed by this population to utilize that coverage and access health care.

NOTE 13 - PENSION PLAN

The Organization has established a defined contribution pension plan. Employee contributions are matched up to 3% of gross salary. Pension expense for the year was \$14,610.

NOTE 14 - LEASE COMMITMENTS

In 2013, the Organization entered into agreements to lease office space to thirteen other organizations. Based on current commitments, revenues are expected as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 125,469
2017	65,567
2018	<u>60,812</u>
Total	<u>\$ 251,848</u>

NOTE 15 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to recognize prior year promises to give. This increased prior year grant revenues by \$81,465 and grants receivable by \$81,465. Change in net assets increased by \$81,465 in 2014 and decreased by \$81,465 in 2015.