DOCTORS CARE

Financial Statements

December 31, 2018

(Together with Independent Auditors' Report)

Doctors Care

Accessible Care for the Underserved

WIPFLi LLP

CPAs and Consultants

DOCTORS CARE
Table of Contents

Page

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

Statements of Financial Position 3

Statements of Activities 4

Statements of Functional Expenses 5

Statements of Cash Flows 6

Notes to Financial Statements 7

WIPFLi LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2018, 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; 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.

Auditors' 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. 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.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Doctor's Care 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

April 24, 2019
Denver, Colorado

DOCTORS CARE

Statements of Financial Position
December 31, 2018
(With Comparative Totals for December 31, 2017)

ASSETS

	2018	2017
Assets		
Cash and cash equivalents	$ 860,218	$ 570,474
Cash restricted for the Premium Assistance Program	229,425	50,515
Grants and contributions receivable	172,469	62,500
Accounts and other receivables	97,211	140,543
Prepaid and other	21,012	11,822
Investments	1,536,136	1,606,305
Beneficial interest in assets held by others	293,276	327,475
Property and equipment, net	2,579,434	2,642,325
Total Assets	$ 5,789,181	$ 5,411,959

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities		
Accounts payable	$ 6,007	$ 17,356
Accrued payroll liabilities	84,128	83,256
Tenant deposits	11,878	11,834
Property taxes payable	23,588	21,850
Deferred revenue	32,904	-
Total Liabilities	158,505	134,296
Net Assets		
Net assets without donor restrictions:		
Designated for capital and technology projects	200,000	200,000
Undesignated	1,990,896	1,898,408
Net investment in fixed assets	2,579,434	2,642,325
Total Net Assets Without Donor Restrictions	4,770,330	4,740,733
Net assets with donor restrictions	860,346	536,930
Total Net Assets	5,630,676	5,277,663
Total Liabilities and Net Assets	$ 5,789,181	$ 5,411,959

The accompanying notes are an integral part of the financial statements.

DOCTORS CARE

Statements of Activities
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Year Ended December 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Support and Revenues				
Program service fees	$ 1,076,962	$ -	$ 1,076,962	$ 1,150,920
Grants and contributions	934,405	250,000	1,184,405	814,875
Special event, net	32,113	-	32,113	-
Premium Assistance Program	-	208,870	208,870	238,661
Primary Care Fund	52,906	-	52,906	36,791
Other	5,643	-	5,643	-
In-Kind contributions	589,540	-	589,540	572,049
Change in value of beneficial interest	-	(18,838)	(18,838)	42,504
Investment income (loss), net	(70,169)	-	(70,169)	199,068
Net assets released from restrictions	116,616	(116,616)	-	-
	2,738,016	323,416	3,061,432	3,054,868
Rental income	159,722	-	159,722	148,737
Rental expense	(147,503)	-	(147,503)	(143,434)
Net rental activity	12,219	-	12,219	5,303
Total Support and Revenues	2,750,235	323,416	3,073,651	3,060,171
Expenses				
Program Services	2,524,726	-	2,524,726	2,731,013
Supporting Services				
Management and general	121,445	-	121,445	124,942
Fundraising	74,467	-	74,467	72,642
Total Supporting Services	195,912	-	195,912	197,584
Total Expenses	2,720,638	-	2,720,638	2,928,597
Change in Net Assets	29,597	323,416	353,013	131,574
NET ASSETS, Beginning of Year	4,740,733	536,930	5,277,663	5,146,089
NET ASSETS, End of Year	$ 4,770,330	$ 860,346	$ 5,630,676	$ 5,277,663

The accompanying notes are an integral part of the financial statements.

DOCTORS CARE

Statements of Functional Expenses
Year Ended December 31, 2018
(With Summarized Totals for the Year Ended December 31, 2017)

	Year Ended December 31, 2018				
		Supporting Services			
	Program Services	Management and General	Fund-Raising	Total	Total 2017
Salaries	$ 1,291,626	$ 59,578	$ 49,768	$ 1,400,972	$ 1,357,652
Employee benefits	146,405	6,753	5,641	158,799	133,391
Payroll taxes	110,974	5,119	4,276	120,369	110,759
Total payroll related costs	1,549,005	71,450	59,685	1,680,140	1,601,802
Donated Goods and Services:					
Physician services	223,606	-	-	223,606	151,125
Medical staff services	177,334	-	-	177,334	218,459
Vaccines	173,622	-	-	173,622	184,038
IT support	14,978	-	-	14,978	18,427
Rental expense	147,503	-	-	147,503	143,434
Office supplies	60,087	6,774	881	67,742	55,660
Medical supplies	65,278	-	-	65,278	61,321
Contract services	52,781	5,047	640	58,468	88,223
Premium assistance claims	21,731	-	-	21,731	304,111
Professional services	-	18,325	-	18,325	18,060
Utilities	15,284	840	672	16,796	17,395
Cost of direct benefit to donors	-	-	16,685	16,685	-
Repairs and maintenance	14,684	818	643	16,145	17,182
Meetings and conferences	12,467	2,255	-	14,722	7,541
Telephone	9,127	1,711	570	11,408	13,613
Insurance	6,724	3,465	367	10,556	10,535
Marketing	4,141	-	4,141	8,282	6,150
Printing	4,495	1,498	1,498	7,491	4,595
Software	5,560	1,043	348	6,951	17,859
Other expenses	3,960	990	-	4,950	11,820
Dental supplies	3,805	-	-	3,805	3,200
Publications	2,813	703	-	3,516	4,413
Postage	1,919	640	640	3,199	4,314
	2,570,904	115,559	86,770	2,773,233	2,963,277
Depreciation	99,688	5,477	4,382	109,547	108,754
Loss on disposal of equipment	1,637	409	-	2,046	-
Total expenses by function	2,672,229	121,445	91,152	2,884,826	3,072,031
Less: expenses included with revenues on the statements of activities					
Rental expense	(147,503)	-	-	(147,503)	(143,434)
Cost of direct benefit to donors	-	-	(16,685)	(16,685)	-
Total expenses included in the expense section on the statements of activities	$ 2,524,726	$ 121,445	$ 74,467	$ 2,720,638	$ 2,928,597

The accompanying notes are an integral part of the financial statements.

DOCTORS CARE

Statements of Cash Flows
Year Ended December 31, 2018
(With Summarized Totals for the Year Ended December 31, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	$ 353,013	$ 131,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	153,734	152,941
(Income) loss from beneficial interest in assets held by others	18,838	(42,504)
Realized and unrealized (Income) loss from investments	146,470	(144,493)
Loss on disposal of equipment	2,046	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Cash restricted for the Premium Assistance Program	(178,910)	190,753
Grants and contributions receivable	(109,969)	192,783
Accounts and other receivables	43,332	(92,656)
Prepaid and other	(9,190)	234
Accounts payable	(11,349)	9,898
Accrued payroll liabilities	872	14,201
Tenant deposits	44	(372)
Deferred revenue	32,904	-
Property taxes payable	1,738	6,334
Net cash provided by operating activities	443,573	418,693
Cash Flows From Investing Activities		
Proceeds from sale of investments	410,626	1,285,842
Purchase of investments	(486,927)	(1,590,304)
Proceeds from beneficial interest in assets held by others	15,361	14,965
Purchases of property and equipment	(92,889)	(71,787)
Net cash used in investing activities	(153,829)	(361,284)
Net Change in Cash and Cash Equivalents	289,744	57,409
CASH AND CASH EQUIVALENTS, beginning of year	570,474	513,065
CASH AND CASH EQUIVALENTS, end of year	$ 860,218	$ 570,474

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Doctors Care (the Organization) is a nonprofit organization incorporated in the State of Colorado in December 1990. Doctors Care is dedicated to improving access to healthcare for low-income individuals in the South Metro area. Doctors Care accomplishes this aim through its Four Core Services: an integrated primary care **Clinic** for individuals under 35; **Doctors Care Advantage,** a community-based health access program that aims to improve access to care and resources for uninsured and Medicaid participants; **Connection to Coverage**, helping individuals shop and apply for subsidized insurance plans through Connect for Health Colorado and Medicaid; and **Health Navigation**, a program designed to address socioeconomic barriers to health and well-being. The Doctors Care model is built on a commitment to providing long-term solutions to access, which begins with coverage, extends to care, and ultimately leads to our clients' overall health and well-being. Doctors Care is supported primarily by program and service fees, grant income, and contributed medical services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") and, accordingly, reflect all significant receivables, payables, and other liabilities.

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, receivables, accounts payable, and accrued liabilities. The carrying value of cash and cash equivalents, receivables, accounts payable, and accrued liabilities are considered to be representative of their fair market value, due to the short maturity of these instruments.

The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Organization’s cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the entities from which the amounts are due.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding amounts whose use is restricted or held as part of an investment portfolio.

Restricted Cash

Restricted cash consists of funds set aside to pay claims and operating expenses for the Premium Assistance Program, a program funded with grants from Centura Health in the amounts of $208,870 and $238,661, for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, restricted cash totals $229,425 and $50,515, respectively.

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities. The Organization’s beneficial interest in assets held by others is valued as reported by the entity holding the funds. Unrealized gains and losses are included in the Statements of Activities.

1. Organization and Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable
The Organization records as grants and contributions receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the Organization. At December 31, 2018 and 2017, management deemed all grants and contributions receivable to be fully collectible; accordingly, no allowance for uncollectible grants and contributions receivable was required.

Accounts and Other Receivables
Accounts and other receivables are uncollateralized amounts due primarily from Medicaid and from tenants. Management continually evaluates the need for an allowance for uncollectible accounts. Management reviewed the receivable balances as of December 31, 2018 and 2017, and determined that an allowance is not necessary.

Property and Equipment
Property and equipment are carried at cost. The Organization capitalizes property and equipment over $1,000 with an estimated useful life in excess of one year. Donated equipment is carried at the fair market value at date of gift. Assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 30 years. Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Deferred Revenue
Fees collected prior to the year to which they apply are deferred and recognized in the year to which the fee relates.

Tenant Deposits
Tenant deposits consist of security deposits and prepaid rent payments. Rent payments collected prior to the fiscal year for which the rents are due are recognized in the period to which the rents relate.

Program Service Fees
The Organization receives approximately 95 percent of its program service fees from Medicaid. Revenues are recognized when the services are performed.

Recognition of Revenues and Support
Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as increases to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization's policy is to record contributions whose restrictions are met in the same reporting period as contributions received without donor restrictions.

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Materials and Services

The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization recognized the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

A substantial number of volunteers have donated significant amounts of time to the Organization, some of which do not meet the criteria above.

Investment Expenses

Investment expenses relating to funds held by Community First Foundation amounted to $3,261 and $3,215, for the years ended December 31, 2018 and 2017, respectively, and have been included with the investment income figure appearing in the accompanying Statements of Activities.

Marketing

Costs associated with marketing are expensed in the period incurred. Marketing and promotion related costs expensed totaled $8,282 and $6,150, for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Organization is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A), and Doctors Care has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2018 and 2017.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

1. Organization and Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the year ended December 31, 2018, and was applied retrospectively to these comparative financial statements with the exception of certain omissions permitted by the ASU.

Reclassifications

Certain amounts as previously reported in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on April 24, 2019, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of December 31, 2018:

Cash and cash equivalents	$ 860,218
Grants and contributions receivable	172,469
Accounts and other receivables	97,211
Investments	1,536,136
Total financial assets	2,666,034
Less:	
Board designations-amount set aside for capital and technology projects	(200,000)
Restricted program contribution included in cash and cash equivalents	(165,176)
Contributions receivable restricted for a specific purpose	(69,824)
Fees received in advance	(32,904)
	(467,904)
Total financial assets available for general expenditure	$ 2,198,130

The Organization had board-designated funds totaling $200,000 for capital and technology projects as of December 31, 2018. Although the Organization does not intend to spend from the board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately four to six months.

3. Investments

Investments consist of the following:

As of December 31,	2018	2017
Growth and income mutual funds	$ 651,687	$ 685,397
Bond mutual funds	470,942	620,183
International mutual funds	262,167	300,725
Certificates of deposits	99,964	-
Money market funds	51,376	-
Total	$ 1,536,136	$ 1,606,305

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

3. Investments (continued)

Investment income consists of the following:

Year Ended December 31,	2018	2017
Interest and dividends	$ 76,301	$ 54,575
Realized and unrealized gains (losses) on investments, net	(146,470)	144,493
Total Investment Income (Loss), net	$ (70,169)	$ 199,068

4. Endowment

The Organization has established an endowment fund (Fund) with Community First Foundation (CFF). The Fund was established for the general operating needs of the Organization. The Fund is held and managed by CFF. The Organization may take distributions from the Fund to carry out the Organization's programs. Distributions are currently limited to five percent of the average of the net fair market value of the three preceding calendar years. In 2018 and 2017, the Organization took distributions in the amounts of $15,361 and $14,965, respectively. At December 31, 2018 and 2017, the invested balance held by CFF, recorded at fair value, totals $293,276 and $327,475, respectively.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Colorado's Uniform Prudent Management of Institutional Funds Act (UPMIFA) to allow, subject to the specific intent of a donor expressed in the gift instrument, for the appropriation or accumulation of so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment is "under water" (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and the Organization is not required to utilize other Organization resources to bring the value of the endowment fund up to HDV.

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

(1) The duration and preservation of the fund
(2) The purpose of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Organization resources
(7) The investment policies of the Organization

4. Endowment (continued)

Changes in the endowment net assets were as follows:

Balance, January 1, 2017	$ 299,936
Investment income, net	42,504
Appropriation of endowment assets for expenditures	(14,965)
Balance, December 31, 2017	327,475
Investment income (loss), net	(18,838)
Appropriation of endowment assets for expenditures	(15,361)
Balance, December 31, 2018	$ 293,276

From time to time, the endowment fund may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of $293,750, fair values of $293,276, and a deficiency of $474 were reported in net assets with donor restrictions. This deficiency amount was recovered early in 2019 due to favorable market fluctuations.

Investment Return Objectives

The Organization follows the investment and spending policies adopted by Community First Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on the Community First Foundation investment policy and strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

5. Property and Equipment

Property and equipment consist of the following:

As of December 31,	2018	2017
Building	$ 2,285,059	$ 2,285,059
Building improvements	823,171	784,682
Furniture and equipment	92,842	85,542
Computer equipment	164,454	131,097
	3,365,526	3,286,380
Less: accumulated depreciation	(786,092)	(644,055)
Property and equipment, net	$ 2,579,434	$ 2,642,325

6. Premium Assistance Program

The Organization has received grants totaling $697,531 from Centura Health to administer and implement the Premium Assistance Program (the "Program"). The Program is a pilot program intended to pay the insurance premiums for select low income people who are eligible to purchase health insurance on Connect for Health Colorado, and who qualify for an Advanced Premium Tax Credit. The goal of the program is to improve the health and well-being of program participants through the reduction of their health care expenses and health navigation support. During the years ended December 31, 2018 and 2017, the Organization paid out $21,731 and $304,111, respectively, in premium assistance claims.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

As of December 31,	2018	2017
Subject to expenditure for specified purpose:		
Premium Assistance Program	$ 229,425	$ 50,515
Clinic expansion and increased development capacity	165,176	-
Team based care	-	50,000
Integrated behavioral health	-	40,000
Other	-	6,440
Subject to the passage of time:		
Grants and contribution receivable	172,469	62,500
Endowment:		
Community First Foundation Fund	293,750	293,750
Accumulated earnings on the endowment	-	33,725
Underwater endowments	(474)	-
Total Net Assets With Donor Restrictions	$ 860,346	$ 536,930

8. In-Kind Contributions

Donated materials and services are important to the Organization's operations and, accordingly, are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated materials and services consist of the following:

Year Ended December 31,	2018	2017
Physicians	$ 223,606	$ 151,125
Vaccines	173,622	184,038
Technology	14,978	18,427
Other professional medical services	177,334	218,459
Total In-Kind Contributions	$ 589,540	$ 572,049

No amounts have been reflected in the statements for donated volunteer services because the criteria for recognition under generally accepted accounting principles have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time to develop the Organizations programs. During the years ended December 31, 2018 and 2017, the Organization received 1,848 and 2,007 volunteer hours estimated to be valued at $47,985 and $52,115, respectively.

9. Fair Value Measurements

The Organization utilizes three levels of inputs to measure fair value (the fair value hierarchy) in accordance with financial accounting standards. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability. The Organization determines fair value as follows:

Level 1 – Quoted prices are available in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Fair value based on quoted price in an active market.

Beneficial interest in assets held by Community First Foundation: Valued as reported by the organization holding the funds.

Certificates of deposit: Valued based upon the initial cash investment plus any accrued interest thereon.

9. Fair Value Measurements

Information regarding the assets measured at fair value on a recurring basis is as follows:

As of December 31, 2018,	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community First Foundation	$ -	$ -	$ 293,276	$ 293,276
Money market funds	-	51,376	-	51,376
Growth and income mutual funds	651,687	-	-	651,687
Bond mutual funds	470,942	-	-	470,942
International mutual funds	262,167	-	-	262,167
Certificates of deposit	-	99,964	-	99,964
	$ 1,384,796	$151,376	$ 293,276	$1,829,448

As of December 31, 2017,	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community First Foundation	$ -	$ -	$ 327,475	$ 327,425
Growth and income mutual funds	685,397	-	-	685,397
Bond mutual funds	620,183	-	-	620,183
International mutual funds	300,725	-	-	300,725
	$ 1,606,305	$ -	$ 327,475	$1,933,780

Changes in fair value of the Organization's Level 3 assets are as follows:

	Community First Foundation
Balance as of January 1, 2017	$ 299,936
Ordinary investment income	6,539
Realized gains, net	7,057
Unrealized gains, net	32,123
Investment management fees	(3,215)
Disbursements	(14,965)
Balance as of December 31, 2017	327,475
Ordinary investment income	7,085
Realized gains, net	42,695
Unrealized gains, net	(65,357)
Investment management fees	(3,261)
Disbursements	(15,361)
Balance as of December 31, 2018	$ 293,276

10. Rental Income

The Organization is the lessor of office space within their building. The leases range from one to five years. Rental income for the years ended December 31, 2018 and 2017, totaled $159,722 and $148,737, respectively.

The following is a schedule of expected future minimum rental income on the leases:

Year Ended December 31,	
2019	$ 138,700
2020	123,600
2021	86,600
2022	10,300
Total	$ 359,200

11. Rental Expense

Rental expense directly associated with the production of the rental income consists of the following:

Year Ended December 31,	2018	2017
Property management	$ 15,600	$ 12,000
Utilities	19,716	20,419
Operating and maintenance	41,920	42,577
Taxes and insurance	26,080	24,251
Depreciation	44,187	44,187
Total	$ 147,503	$ 143,434

12. Commitments

Lease Commitments
The Organization leases office equipment under an operating lease expiring in December 2021. Future minimum lease payments under this operating lease are as follows:

Year Ending December 31:	
2019	$ 5,035
2020	5,035
2021	5,035
Total	$ 15,105

Rent expense under all operating leases totaled approximately $5,035 and $5,035, for the years ended December 31, 2018 and 2017, respectively.

13. Employee Benefit Plan

The Organization has established a defined contribution pension plan. Employee contributions are matched up to 3% of gross salary. The Organization contributed $27,343 and $26,689, to the plan for the years ended December 31, 2018 and 2017, respectively.

14. Contingencies

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. During the years ended December 31, 2018 and 2017, the Organization received $52,906 and $36,791, respectively, from the Primary Care Fund. Management of the Organization considers the risk of repayment of the funds as remote.

Health Care Industry
The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for services previously provided.