

Doctors Care

Financial Statements

December 31, 2020



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DOCTORS CARE
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INDEPENDENT AUDITOR'S 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, 2020, 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.

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. 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

March 31, 2021
Denver, Colorado

DOCTORS CARE

Statements of Financial Position December 31, 2020 (With Summarized Totals for December 31, 2019)

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,403,187	\$ 1,018,658
Cash restricted for the Premium Assistance Program	115,648	56,494
Grants and contributions receivable	198,009	117,121
Accounts and other receivables	37,933	99,908
Prepaid and other	20,486	22,243
Investments	2,096,692	1,803,560
Beneficial interest in assets held by others	346,565	324,143
Property and equipment, net	2,475,735	2,556,615
Total Assets	<u>\$ 6,694,255</u>	<u>\$ 5,998,742</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities		
Accounts payable	\$ 9,969	\$ 23,604
Accrued payroll liabilities	134,415	91,393
Tenant deposits	10,235	11,878
Property taxes payable	28,836	27,121
Total Liabilities	<u>183,455</u>	<u>153,996</u>
Net Assets		
Net assets without donor restrictions:		
Designated for capital and technology projects	200,000	200,000
Net investment in fixed assets	2,475,735	2,556,615
Undesignated	3,174,843	2,473,873
Total Net Assets Without Donor Restrictions	<u>5,850,578</u>	<u>5,230,488</u>
Net assets with donor restrictions	<u>660,222</u>	<u>614,258</u>
Total Net Assets	<u>6,510,800</u>	<u>5,844,746</u>
Total Liabilities and Net Assets	<u>\$ 6,694,255</u>	<u>\$ 5,998,742</u>

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

DOCTORS CARE

Statements of Activities Year Ended December 31, 2020 (With Summarized Totals for the Year Ended December 31, 2019)

	Year Ended December 31, 2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total 2020	
Support and Revenues				
Patient care services	\$ 1,294,213	\$ -	\$ 1,294,213	\$ 1,207,000
Grants and contributions	572,089	309,410	881,499	1,071,337
Premium Assistance Program	-	208,868	208,868	-
Primary Care Fund	40,779	-	40,779	10,787
CARES Act - Loan Forgiveness	312,000	-	312,000	-
Other	530	-	530	58
In-Kind contributions	528,365	-	528,365	677,649
Change in value of beneficial interest	-	38,170	38,170	46,212
Investment income, net	294,663	-	294,663	269,450
Net assets released from restrictions	510,484	(510,484)	-	-
	<u>3,553,123</u>	<u>45,964</u>	<u>3,599,087</u>	<u>3,282,493</u>
Rental income	164,297	-	164,297	166,159
Rental expense	(166,150)	-	(166,150)	(174,799)
Net rental activity	<u>(1,853)</u>	<u>-</u>	<u>(1,853)</u>	<u>(8,640)</u>
Total Support and Revenues	<u>3,551,270</u>	<u>45,964</u>	<u>3,597,234</u>	<u>3,273,853</u>
Expenses				
Program Services	<u>2,705,844</u>	<u>-</u>	<u>2,705,844</u>	<u>2,862,297</u>
Supporting Services				
Management and general	116,784	-	116,784	117,716
Fundraising	108,552	-	108,552	79,770
Total Supporting Services	<u>225,336</u>	<u>-</u>	<u>225,336</u>	<u>197,486</u>
Total Expenses	<u>2,931,180</u>	<u>-</u>	<u>2,931,180</u>	<u>3,059,783</u>
Change in Net Assets	620,090	45,964	666,054	214,070
NET ASSETS, Beginning of Year	<u>5,230,488</u>	<u>614,258</u>	<u>5,844,746</u>	<u>5,630,676</u>
NET ASSETS, End of Year	<u>\$ 5,850,578</u>	<u>\$ 660,222</u>	<u>\$ 6,510,800</u>	<u>\$ 5,844,746</u>

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

DOCTORS CARE

**Statements of Functional Expenses
Year Ended December 31, 2020
(With Summarized Totals for the Year Ended December 31, 2019)**

	Year Ended December 31, 2020				Total 2019
	Program Services	Supporting Services		Total	
		Management and General	Fund- Raising		
Salaries	\$ 1,423,936	\$ 60,626	\$ 69,953	\$ 1,554,515	\$ 1,429,281
Employee benefits	135,144	5,754	6,639	147,537	150,701
Payroll taxes	110,397	4,700	5,423	120,520	114,048
Total payroll related costs	<u>1,669,477</u>	<u>71,080</u>	<u>82,015</u>	<u>1,822,572</u>	<u>1,694,030</u>
Donated Goods and Services:					
Physician services	195,721	-	-	195,721	267,262
Medical staff services	176,595	-	-	176,595	195,827
Vaccines	142,579	-	-	142,579	179,937
IT support	13,470	-	-	13,470	28,623
Building repairs	-	-	-	-	3,646
Rental expense	166,150	-	-	166,150	174,799
Premium assistance claims	108,582	-	-	108,582	140,533
Medical supplies	98,613	-	-	98,613	81,486
Office supplies	69,516	7,816	832	78,164	77,937
Contract services	42,564	1,812	2,091	46,467	119,873
Marketing	13,912	-	13,912	27,824	22,564
Professional services	-	20,788	-	20,788	19,823
Utilities	15,706	669	771	17,146	15,473
Repairs and maintenance	12,167	641	568	13,376	18,476
Insurance	7,564	3,697	423	11,684	11,509
Telephone	9,304	1,745	581	11,630	11,846
Software	6,135	1,150	383	7,668	3,598
Postage	2,904	968	968	4,840	9,115
Other expenses	3,611	329	94	4,034	5,393
Publications	3,051	763	-	3,814	6,575
Printing	1,564	521	521	2,606	3,181
Meetings and conferences	2,023	131	-	2,154	9,618
Dental supplies	1,012	-	-	1,012	3,530
	<u>2,762,220</u>	<u>112,110</u>	<u>103,159</u>	<u>2,977,489</u>	<u>3,104,654</u>
Depreciation	<u>109,774</u>	<u>4,674</u>	<u>5,393</u>	<u>119,841</u>	<u>129,928</u>
Total expenses by function	2,871,994	116,784	108,552	3,097,330	3,234,582
Less: expenses included with revenues on the statements of activities					
Rental expense	<u>(166,150)</u>	<u>-</u>	<u>-</u>	<u>(166,150)</u>	<u>(174,799)</u>
Total expenses included in the expense section on the Statements of Activities	<u>\$ 2,705,844</u>	<u>\$ 116,784</u>	<u>\$ 108,552</u>	<u>\$ 2,931,180</u>	<u>\$ 3,059,783</u>

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

DOCTORS CARE

Statements of Cash Flows Year Ended December 31, 2020 (With Summarized Totals for the Year Ended December 31, 2019)

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 666,054	\$ 214,070
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	171,759	180,246
(Income) from beneficial interest in assets held by others	(38,170)	(46,212)
Realized and unrealized (gain) from investments, net	(246,921)	(149,902)
CARES Act - Loan Forgiveness	(312,000)	-
Donation of furniture and equipment	-	(2,354)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(80,888)	55,348
Accounts and other receivables	61,975	(2,697)
Prepaid and other	1,757	(1,231)
Accounts payable	(13,635)	17,597
Accrued payroll liabilities	43,022	7,265
Tenant deposits	(1,643)	-
Deferred revenue	-	(32,904)
Property taxes payable	1,715	3,533
	<u>253,025</u>	<u>242,759</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Proceeds from sale of investments	416,000	252,000
Purchase of investments	(462,211)	(369,522)
Proceeds from beneficial interest in assets held by others	15,748	15,345
Purchases of property and equipment	(90,879)	(155,073)
	<u>(121,342)</u>	<u>(257,250)</u>
Net cash flows from investing activities		
Cash Flows From Financing Activities		
Proceeds from the CARES Act - Paycheck Protection Program	312,000	-
	<u>443,683</u>	<u>(14,491)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash		
Cash, Cash Equivalents, and Restricted Cash, beginning of year	1,075,152	1,089,643
	<u>\$ 1,518,835</u>	<u>\$ 1,075,152</u>
Cash, Cash Equivalents, and Restricted Cash, end of year		
Cash, Cash Equivalents, and Restricted Cash consist of the following:		
Cash and cash equivalents	\$ 1,403,187	\$ 1,018,658
Cash restricted for the Premium Assistance Program	115,648	56,494
	<u>\$ 1,518,835</u>	<u>\$ 1,075,152</u>
Total		

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 Denver area. Doctors Care accomplishes this aim through its Four Core Services: an integrated primary care **Clinic** for individuals age 50 and under; **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**, a program 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, 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. The governing board has designated, from net assets without donor restrictions, funds to be held for capital and technology projects.

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 Activities. 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. 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. At December 31, 2020 and 2019, restricted cash totals \$115,648 and \$56,494, 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

Grants and contributions receivable are unconditional promises to give in future periods. These unconditional promises represent written or oral agreements to contribute cash or other assets to the Organization. At December 31, 2020 and 2019, 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, 2020 and 2019 and determined that an allowance was 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.

Tenant Deposits

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

Patient Care Services

Patient care service revenues are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. The Organization receives approximately 95 percent of its patient care service revenues from Medicaid. Revenue is recognized over time as performance obligations are satisfied and services are provided. Performance obligations are determined based on the nature of the services provided by the Organization.

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

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

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 recognizes 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 \$3,151 and \$3,166, for the years ended December 31, 2020 and 2019, 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 \$27,824 and \$22,564, for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2019, from which the summarized information was derived.

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

Subsequent Events

In accordance with the *Subsequent Events* Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 March 31, 2021, and this is the date through which subsequent events were evaluated.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the statement of financial position a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that ASU 2016-02 will have on its 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:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,403,187	\$ 1,018,658
Grants and contributions receivable	198,009	117,121
Accounts and other receivables	37,933	99,908
Investments	<u>2,096,692</u>	<u>1,803,560</u>
Total financial assets	<u>3,735,821</u>	<u>3,039,247</u>
Less: Board designations-amount set aside for capital and technology projects	(200,000)	(200,000)
Less: Restricted program contributions included in cash and cash equivalents	<u>-</u>	<u>(116,500)</u>
	<u>(200,000)</u>	<u>(316,500)</u>
Total financial assets available for general expenditure	<u>\$ 3,535,821</u>	<u>\$ 2,722,747</u>

The Organization had board-designated funds totaling \$200,000 for capital and technology projects as of December 31, 2020 and 2019. 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 of general operating expenses.

DOCTORS CARE
Notes to Financial Statements
December 31, 2020 and 2019

3. Investments

Investments consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Growth and income mutual funds	\$ 1,003,636	\$ 823,330
Bond mutual funds	522,747	494,755
International mutual funds	373,910	331,180
Certificates of deposits	-	154,027
Money market funds	<u>196,399</u>	<u>268</u>
Total	<u>\$ 2,096,692</u>	<u>\$ 1,803,560</u>

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.

Investment income consists of the following:

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 47,742	\$ 119,548
Realized and unrealized gains on investments, net	<u>246,921</u>	<u>149,902</u>
Total investment income, net	<u>\$ 294,663</u>	<u>\$ 269,450</u>

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 2020 and 2019, the Organization took distributions in the amounts of \$15,748 and \$15,345, respectively. At December 31, 2020 and 2019, the invested balance held by CFF, recorded at fair value, totals \$346,565 and \$324,143, respectively.

4. Endowment (continued)

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

Changes in the endowment net assets were as follows:

Balance, January 1, 2019	\$ 293,276
Investment income, net	46,212
Appropriation of endowment assets for expenditures	<u>(15,345)</u>
Balance, December 31, 2019	324,143
Investment income, net	38,170
Appropriation of endowment assets for expenditures	<u>(15,748)</u>
Balance, December 31, 2020	<u>\$ 346,565</u>

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). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. There were no such deficiencies as of December 31, 2020 and 2019.

4. Endowment (continued)

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:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Building	\$ 2,285,059	\$ 2,285,059
Building improvements	969,670	963,330
Furniture and equipment	165,041	102,469
Computer equipment	<u>194,119</u>	<u>172,095</u>
	3,613,889	3,522,953
Less: accumulated depreciation	<u>(1,138,154)</u>	<u>(966,338)</u>
Property and equipment, net	<u>\$ 2,475,735</u>	<u>\$ 2,556,615</u>

6. Premium Assistance Program

The Organization has received grants totaling \$906,399 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, 2020 and 2019, the Organization paid out \$108,582 and \$140,533, respectively, in premium assistance claims.

7. CARES Act – Loan Forgiveness

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small organizations cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Organization applied for and received a PPP loan of \$312,000 under this program. The Organization applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven in December 2020. As such, the loan forgiveness income is being recognized on the 2020 financial statements in accordance with ASC 470.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
<u>Subject to expenditure for specified purpose:</u>		
Premium Assistance Program	\$ 115,648	\$ 56,494
Clinic expansion and increased development capacity	-	116,500
<u>Subject to the passage of time:</u>		
Grants and contribution receivable	198,009	117,121
<u>Endowment:</u>		
Community First Foundation Fund	293,750	293,750
Accumulated earnings on the endowment	<u>52,815</u>	<u>30,393</u>
Total net assets with donor restrictions	<u>\$ 660,222</u>	<u>\$ 614,258</u>

Net assets totaling \$510,484 and \$598,493, were released from net assets with donor restrictions for the years ending December 31, 2020 and 2019, respectively, as a result of the Organization incurring expenditures satisfying the related restricted purposes.

9. 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:

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Physicians	\$ 195,721	\$ 267,262
Vaccines	142,579	179,937
Technology	13,470	28,623
Other professional medical services	176,595	195,827
Construction and repairs	<u>-</u>	<u>6,000</u>
Total in-kind contributions	<u>\$ 528,365</u>	<u>\$ 677,649</u>

No amounts have been reflected in the statements for donated non-professional 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 Organization's programs. During the years ended December 31, 2020 and 2019, the Organization received 1,190 and 2,196 volunteer hours estimated to be valued at \$30,898 and \$57,038, respectively.

10. 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:

Money market funds: Measured using \$1 as the net asset value ("NAV").

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.

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10. Fair Value Measurements (continued)

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

<u>As of December 31, 2020</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by Community First Foundation	\$ -	\$ -	\$346,565	\$ 346,565
Money market funds	-	196,399	-	196,399
Growth and income mutual funds	1,003,636	-	-	1,003,636
Bond mutual funds	522,747	-	-	522,747
International mutual funds	<u>373,910</u>	<u>-</u>	<u>-</u>	<u>373,910</u>
	<u>\$1,900,293</u>	<u>\$196,399</u>	<u>\$346,565</u>	<u>\$2,443,257</u>

<u>As of December 31, 2019</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by Community First Foundation	\$ -	\$ -	\$324,143	\$ 324,143
Money market funds	-	268	-	268
Growth and income mutual funds	823,330	-	-	823,330
Bond mutual funds	494,755	-	-	494,755
International mutual funds	331,180	-	-	331,180
Certificates of deposit	<u>-</u>	<u>154,027</u>	<u>-</u>	<u>154,027</u>
	<u>\$1,649,265</u>	<u>\$154,295</u>	<u>\$324,143</u>	<u>\$2,127,703</u>

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

	<u>Community First Foundation</u>
Balance as of January 1, 2019	\$ 293,276
Ordinary investment income	7,879
Realized gains (losses), net	(692)
Unrealized gains, net	42,191
Investment management fees	(3,166)
Disbursements	<u>(15,345)</u>
Balance as of December 31, 2019	324,143
Ordinary investment income	6,646
Realized gains (losses), net	(1,945)
Unrealized gains, net	36,620
Investment management fees	(3,151)
Disbursements	<u>(15,748)</u>
Balance as of December 31, 2020	<u>\$ 346,565</u>

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11. 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, 2020 and 2019, totaled \$164,297 and \$166,159, respectively.

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

<u>Years Ending December 31,</u>	
2021	\$ 130,900
2022	56,800
2023	26,100
2024	<u>2,600</u>
Total	<u>\$ 216,400</u>

12. Rental Expense

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

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Property management	\$ 18,000	\$ 16,800
Utilities	20,128	18,164
Operating and maintenance	44,417	59,631
Taxes and insurance	31,687	29,886
Depreciation	<u>51,918</u>	<u>50,318</u>
Total	<u>\$ 166,150</u>	<u>\$ 174,799</u>

13. 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:	
2021	<u>\$ 5,035</u>

Rent expense under all operating leases totaled approximately \$5,035 and \$5,035, for the years ended December 31, 2020 and 2019, respectively.

14. 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 \$33,949 and \$27,654, to the plan for the years ended December 31, 2020 and 2019, respectively.

15. 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, 2020 and 2019, the Organization received \$40,779 and \$10,787, 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.

16. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 will impact various segments of the Organization’s 2021 operations and financial results. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.