

CONWAY INTERFAITH CLINIC, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

CONWAY INTERFAITH CLINIC, INC.

JUNE 30, 2010

C O N T E N T S

	<u>Page No.</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

Conner & Sartain

CERTIFIED PUBLIC ACCOUNTANTS

985 CARSON COVE, SUITE C

P.O. BOX 2260

CONWAY, ARKANSAS 72033

Telephone: (501) 327-6688

Fax: (501) 327-6699

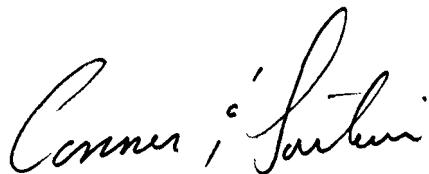
Board of Directors
Conway Interfaith Clinic, Inc.
Conway, Arkansas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Conway Interfaith Clinic, Inc. (a non-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Clinic's June 30, 2009, financial statements and, in our report dated September 1, 2009, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conway Interfaith Clinic, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Conner & Sartain".

December 6, 2010

STATEMENT OF FINANCIAL POSITION

CONWAY INTERFAITH CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

	2010	2009
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 97,402	\$ 70,824
Accounts receivable-Note 4	38,224	24,654
Total Current Assets	135,626	95,478
 <u>Property and Equipment - Note 1:</u>		
Building	134,295	134,295
Furniture, fixtures, and equipment	141,019	130,350
	275,314	264,645
Less: Accumulated depreciation	(105,003)	(86,018)
Total Property and Equipment	170,311	178,627
 Total Assets	 \$ 305,937	 \$ 274,105

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 150	\$ 1,867
Accrued taxes	2,182	2,049
Accrued other expense payable	9,198	3,182
Note payable - current portion - Note 6	4,011	3,669
Total Current Liabilities	15,541	10,767
 <u>Long-Term Liabilities:</u>		
Notes payable - Note 6	63,363	69,738
Less: current portion	(4,011)	(3,669)
Total Long-Term Liabilities	59,352	66,069
 Total Liabilities	 74,893	 76,836
 <u>Net Assets:</u>		
Unrestricted	231,044	197,269
Temporarily restricted	0	0
Permanently restricted	0	0
Total Net Assets	231,044	197,269
 Total Liabilities and Net Assets	 \$ 305,937	 \$ 274,105

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

CONWAY INTERFAITH CLINIC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2010 Total	2009 Total
<u>Support and Revenue:</u>					
Dental income-Medicaid	\$ 0	\$ 350,636	\$ 0	\$ 350,636	\$ 257,291
Dental income	137,176	0	0	137,176	160,177
Medical income	57,671	0	0	57,671	50,519
PAP income	10,205	0	0	10,205	8,417
State funding-Arkansas Minority Health	0	1,000	0	1,000	0
State funding-Foster Care	0	389	0	389	0
Contributions	14,755	0	0	14,755	13,071
Grant income-United Way	0	21,049	0	21,049	22,000
Grant income-Delta Dental	0	10,000	0	10,000	23,561
Grant income-Arkansas Community Foundation	0	3,854	0	3,854	3,221
Grant income-Taylor Foundation	0	3,800	0	3,800	0
Grant income-Other	0	8,381	0	8,381	16,658
Interest income	333	0	0	333	522
Fund raising income	23,833	0	0	23,833	20,500
Other income	2,464	0	0	2,464	3,328
In-kind income	0	0	0	0	0
Net assets released from restriction:					
Satisfaction of program restriction	399,109	(399,109)	0	0	0
Total Support and Revenue	645,546	0	0	645,546	579,265
<u>Expenses:</u>					
Medical expense	111,682	0	0	111,682	108,070
Dental expense	325,630	0	0	325,630	315,627
PAP expense	37,969	0	0	37,969	36,721
General expense	130,840	0	0	130,840	128,797
Fund raising expense	5,650	0	0	5,650	7,011
Total Expense	611,771	0	0	611,771	596,226
Change in Net Assets	33,775	0	0	33,775	(16,961)
Net Assets - Beginning of Year	197,269	0	0	197,269	214,230
Net Assets - End of Year	\$ 231,044	\$ 0	\$ 0	\$ 231,044	\$ 197,269

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

CONWAY INTERFAITH CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	MEDICAL EXPENSE	DENTAL EXPENSE	PAP EXPENSE	GENERAL EXPENSE	FUND RAISING EXPENSE	2010 TOTAL	2009 TOTAL
Salaries	\$ 72,088	\$ 217,512	\$ 25,600	\$ 86,735	\$ 0	\$ 401,935	\$ 393,545
Payroll taxes	5,476	14,669	1,949	7,730	0	29,824	27,722
Employee benefits	827	24,117	5,013	8,552	0	38,509	43,565
Americorp expense	1,511	2,770	243	504	0	5,028	3,771
Professional services	5,325	10,063	887	1,775	0	18,050	4,250
Lab expense	11,115	0	0	0	0	11,115	10,688
Computer expense	838	2,391	138	279	0	3,646	5,533
Supplies	5,855	36,267	2,049	1,033	0	45,204	49,721
Telephone	724	1,327	121	241	0	2,413	2,446
Postage and shipping	23	360	660	236	0	1,279	1,673
Equipment rental and maintenance	612	1,122	102	204	0	2,040	3,932
Miscellaneous expense	119	383	0	1,743	0	2,245	857
Utilities	1,829	3,345	304	608	0	6,086	5,759
Maintenance	1,098	1,844	168	(805)	0	2,305	795
Interest expense	391	717	66	1,849	0	3,023	4,107
Insurance	3,337	7,180	556	1,112	0	12,185	11,691
Membership dues	169	585	53	(94)	0	713	239
Staff development	0	95	0	38	0	133	20
Advertising	345	783	60	115	0	1,303	1,127
Fund raising fees	0	100	0	0	5,650	5,750	4,574
Depreciation expense	0	0	0	18,985	0	18,985	20,211
Total	\$ 111,682	\$ 325,630	\$ 37,969	\$ 130,840	\$ 5,650	\$ 611,771	\$ 596,226

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

CONWAY INTERFAITH CLINIC, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 33,775	\$ (16,961)
Adjustments to Reconcile Change in New Assets to Net Cash Provided (Used) by Operations:		
Depreciation expense	18,985	20,211
(Increase) Decrease in receivables	(13,570)	(1,556)
Increase (Decrease) in payables and accrued expenses	4,432	435
Net Cash Provided (Used) by Operating Activities	<u>43,622</u>	<u>2,129</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of property and equipment	<u>(10,669)</u>	<u>(10,547)</u>
Net Cash Provided (Used) by Investing Activities	<u>(10,669)</u>	<u>(10,547)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from note payable	0	0
Principle payment on note payable	<u>(6,375)</u>	<u>(10,971)</u>
Net Cash Provided (Used) by Financing Activities	<u>(6,375)</u>	<u>(10,971)</u>
Net Increase (Decrease) in Cash	26,578	(19,389)
Cash - Beginning of Period	<u>70,824</u>	<u>90,213</u>
Cash - End of Period	<u>\$ 97,402</u>	<u>\$ 70,824</u>
<u>Supplemental Disclosures:</u>		
Cash paid during the year for:		
Interest	<u>\$ 2,960</u>	<u>\$ 4,212</u>
Taxes	<u>\$ N/A</u>	<u>\$ N/A</u>

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

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Conway Interfaith Clinic, Inc. was organized as a non-profit corporation without capital stock under the laws of the State of Arkansas. The purpose of this Clinic is to meet the physical and dental needs of the uninsured, and also minister to the emotional and spiritual needs as well. With the services of health professionals and the Clinic staff, the center provides affordable quality primary health care, pastoral counseling, and preventive medicine through health education and services.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Clinic considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Clinic that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Clinic uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Buildings, furniture, fixtures, and equipment are capitalized when the expected useful life of the asset exceeds one year. These capitalized assets are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Donated Materials and Equipment

Donated materials and equipment are recorded as contributions at their estimated fair market value at the date of donation. These contributions are reflected as in-kind revenue in the accompanying statement of activities.

Contributed Services

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provide by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Compensated Absences

The Clinic has not recorded a liability for compensated absences since, in management's opinion, the amounts cannot be reasonably determined.

Income Taxes

The Clinic has obtained exemption from income taxes under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):**

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.

Comparative Financial 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 Clinic's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as, the general classification of such assets and liabilities pursuant to the valuation hierarchy.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, mutual funds and United States Treasury obligations. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Organization did not hold any level securities as of June 30, 2010.

Other financial instruments:

The following methods and assumptions were used by the Agency in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term investments, and promises to give due in less than one year: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Long-term debt: The fair value of the notes and bonds payable is based on its carrying amount.

NOTE 3 - COLLATERALIZATION OF CASH BALANCES:

	<u>2010</u>	<u>2009</u>
Cash in Bank, Fully Insured by FDIC	\$ 102,274	\$ 77,386
Cash in Bank, Collateralized	0	0
Cash in Bank, Uninsured, Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 102,274</u>	<u>\$ 77,386</u>

NOTE 4 - ACCOUNTS RECEIVABLE:

Outstanding accounts receivable due to the Organization and the related allowance for doubtful accounts at June 30, 2010, are as follows:

	<u>2010</u>	<u>2009</u>
Accounts receivable in less than one year	\$ 43,879	\$ 29,608
Less: allowance for doubtful accounts	<u>5,655</u>	<u>4,954</u>
Net receivable	<u>\$ 38,224</u>	<u>\$ 24,654</u>

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 5 - DEPRECIATION:

Property and equipment, together with annual depreciation rates, consists of the following:

	<u>2009</u>	<u>Method and Years</u>
Building	\$ 134,295	SL 39
Office Equipment	<u>141,019</u>	SL 5 & 7
	<u>\$ 275,314</u>	

Depreciation expense charged to operations for the year ended June 30, 2010 and 2009, was \$18,985 and \$20,211, respectively.

NOTE 6 – NOTES PAYABLE:

Long-term debt at June 30, 2010 and June 30, 2009, consists of the following:

	<u>2010</u>	<u>2009</u>
\$150,000 line of credit payable to Regions Bank, required to pay interest monthly, maturity date of October 28, 2011, interest rate of 3.25%, secured by substantially all assets and personally guaranteed by several board members.	\$ 50,169	\$ 52,875
Note payable to Patterson Financial, monthly payments of \$419.23 through June 2013, interest rate of 9%, secured by equipment	<u>13,194</u>	<u>16,863</u>
	63,363	69,738
Less: Current maturities	<u>4,011</u>	<u>3,669</u>
	<u>\$ 59,352</u>	<u>\$ 66,069</u>

NOTE 7 – RETIREMENT PLAN:

Conway Interfaith Clinic, Inc. has a Simplified Employee Pension (SEP) plan covering personnel after satisfying eligibility requirements. The contribution is based on a percentage of each eligible employee's salary. Retirement expense for the years ended June 30, 2010 and 2009, was \$19,584 and \$20,171, respectively.

NOTE 8 – CONCENTRATIONS:

The Clinic receives a large percentage of its support from the Medicaid program. If funding should cease, a negative impact would result on the Organization and its ability to continue operations.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 9 – SUBSEQUENT EVENTS:

No events occurring subsequent to year end, having a direct and material effect on the financial statements for the year ended June 30, 2010, have been determined as of the date of the audit report.

Conner & Sartain

CERTIFIED PUBLIC ACCOUNTANTS

985 CARSON COVE AT PRINCE STREET, SUITE C
P.O. BOX 2260, CONWAY, AR 72033

TELEPHONE: 501-327-6688 • FAX: 501-327-6699

STEVE W. "BO" CONNER, CPA
TRESSIE A. SARTAIN, CPA
LAUREN E. AUSTIN-ERION, CPA
TRACY ANDERSON, CPA

MEMBERS - AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Conway Interfaith Clinic, Inc.
Conway, Arkansas 72032

In planning and performing our audit of the financial statements of Conway Interfaith Clinic, Inc. as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Conway Interfaith Clinic, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

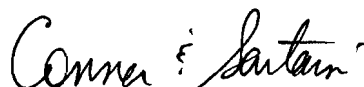
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



December 6, 2010