

CONWAY INTERFAITH CLINIC, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

CONWAY INTERFAITH CLINIC, INC.

JUNE 30, 2012

CONTENTS

	<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
SUPPLEMENTAL INFORMATION:	
Schedule of Activities	12

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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, 2012, 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, 2011 financial statements and, in our report dated October 17, 2011, 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, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Conner & Sartain

September 4, 2012

STATEMENT OF FINANCIAL POSITION

CONWAY INTERFAITH CLINIC, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

	2012	2011
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 56,583	\$ 162,202
Accounts receivable-Note 4	42,384	46,603
	98,967	208,805
 <u>Property and Equipment - Note 1:</u>		
Building and building improvements	621,145	287,498
Furniture, fixtures, and equipment	218,671	162,440
	839,816	449,938
Less: Accumulated depreciation	(163,082)	(128,856)
	676,734	321,082
 Total Assets	 \$ 775,701	 \$ 529,887

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts payable	\$ 3,991	\$ 4,030
Accrued taxes	13,869	3,683
Accrued other expenses payable	3,757	9,669
Notes payable - current portion - Note 6	0	44,749
	21,617	62,131
 <u>Long-Term Liabilities:</u>		
Notes payable - Note 6	270,720	56,275
Less: current portion	0	(44,749)
	270,720	11,526
 Total Liabilities	 292,337	 73,657
 <u>Net Assets:</u>		
Unrestricted	483,364	422,146
Temporarily restricted	0	34,084
Permanently restricted	0	0
	483,364	456,230
 Total Liabilities and Net Assets	 \$ 775,701	 \$ 529,887

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

CONWAY INTERFAITH CLINIC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2012 Total	2011 Total
<u>Support and Revenue:</u>					
Dental income - Medicaid	\$ 0	\$ 397,616	\$ 0	\$ 397,616	\$ 303,156
Dental income	185,478	0	0	185,478	176,327
Medical income	112,408	0	0	112,408	81,907
PAP income	15,789	0	0	15,789	9,660
State funding - Foster Care	0	120	0	120	984
Contributions	27,143	0	0	27,143	10,445
Grant income - United Way	0	41,150	0	41,150	30,014
Grant income - Blue and You	0	0	0	0	68,168
Grant income - Other	0	20,100	0	20,100	9,508
Capital campaign income - contributions	0	43,210	0	43,210	68,840
Capital campaign income - grants	0	130,333	0	130,333	223,833
Capital campaign income - interest income	291	0	0	291	228
Fund raising income	30,867	0	0	30,867	22,960
Other income	20,115	0	0	20,115	18,139
Net assets released from restriction:					
Satisfaction of program restriction	666,613	(666,613)	0	0	0
Total Support and Revenue	1,058,704	(34,084)	0	1,024,620	1,024,169
<u>Expenses:</u>					
Medical expense	256,746	0	0	256,746	181,030
Dental expense	549,935	0	0	549,935	384,549
PAP expense	38,625	0	0	38,625	40,116
General expense	94,513	0	0	94,513	170,254
Tenant expense	10,964	0	0	10,964	16,790
Capital Campaign expense	35,447	0	0	35,447	16,790
Fundraising expense	11,256	0	0	11,256	6,244
Total Expenses	997,486	0	0	997,486	798,983
Change in Net Assets	61,218	(34,084)	0	27,134	225,186
Net Assets - Beginning of Year	422,146	34,084	0	456,230	231,044
Net Assets - End of Year	\$ 483,364	\$ 0	\$ 0	\$ 483,364	\$ 456,230

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

CONWAY INTERFAITH CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	MEDICAL EXPENSES	DENTAL EXPENSES	PAP EXPENSES	GENERAL EXPENSES	TENANT EXPENSES	CAPITAL CAMPAIGN EXPENSES	FUNDRAISING EXPENSES	2012 TOTAL	2011 TOTAL
Salaries	\$ 184,486	\$ 410,294	\$ 25,620	\$ 36,296	\$ 0	\$ 0	\$ 0	\$ 656,696	\$ 483,224
Payroll taxes	16,446	31,139	1,911	3,149	0	0	0	52,645	32,528
Employee benefits	13,487	26,291	5,338	7,715	0	0	0	52,831	51,101
Americorp expense	0	0	0	0	0	0	0	0	1,257
Professional services	2,355	3,879	440	956	175	24,000	0	31,805	28,850
Lab expense	12,366	0	0	0	0	0	0	12,366	15,958
Computer expense	188	345	31	63	0	1,748	0	2,375	4,561
Supplies	4,694	48,848	1,793	559	96	6,118	0	62,108	65,712
Telephone	1,900	1,478	149	543	0	0	0	4,070	6,056
Office supplies and postage	2,180	2,309	377	1,102	0	239	0	6,207	8,278
Miscellaneous expense	15	1,613	6	974	0	53	0	2,661	3,476
Rent	7,766	971	1,250	0	4,821	0	0	14,808	18,510
Utilities	2,680	6,974	394	561	3,163	0	0	13,772	12,544
Repair and maintenance	1,606	3,860	211	387	1,697	3,169	0	10,930	11,214
Interest expense	1,147	2,176	190	5,771	139	0	0	9,423	3,209
Insurance	4,773	8,297	800	1,488	873	0	0	16,231	15,181
Membership dues	104	317	25	0	0	0	0	446	1,521
Staff development	198	362	33	449	0	0	0	1,042	440
Advertising	355	782	57	274	0	0	0	1,468	1,415
Fund raising fees	0	0	0	0	0	120	11,256	11,376	10,095
Depreciation expense	0	0	0	34,226	0	0	0	34,226	23,853
Total	\$ 256,746	\$ 549,935	\$ 38,625	\$ 94,513	\$ 10,964	\$ 35,447	\$ 11,256	\$ 997,486	\$ 798,983

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

CONWAY INTERFAITH CLINIC, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 27,134	\$ 225,186
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation expense	34,226	23,853
(Increase) Decrease in receivables	4,219	(8,379)
Increase (Decrease) in payables and accrued expenses	4,235	5,852
 Net Cash Provided (Used) by Operating Activities	 <u>69,814</u>	 <u>246,512</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of property and equipment	<u>(389,878)</u>	<u>(174,624)</u>
 Net Cash Provided (Used) by Investing Activities	 <u>(389,878)</u>	 <u>(174,624)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from notes payable	288,197	9,585
Principal payments on notes payable	<u>(73,752)</u>	<u>(16,673)</u>
 Net Cash Provided (Used) by Financing Activities	 <u>214,445</u>	 <u>(7,088)</u>
 Net Increase (Decrease) in Cash	 (105,619)	 64,800
 Cash - Beginning of Period	 <u>162,202</u>	 <u>97,402</u>
 Cash - End of Period	 <u>\$ 56,583</u>	 <u>\$ 162,202</u>
<u>Supplemental Disclosures:</u>		
Cash paid during the year for:		
Interest	<u>\$ 8,933</u>	<u>\$ 3,217</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, 2012

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, as well as to minister to their emotional and spiritual needs. With the services of health professionals and the Clinic staff, the Clinic 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 Accounting Standards Codification (ASC) Topic 958, Section 205, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under Topic 958-205, the Clinic 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, 2012

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 provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2012, 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 been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state laws. As such, they are required to file IRS Form 990 on an annual basis. The Clinic is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2009.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

Income Taxes (Continued)

The Clinic adopted the provisions of ASC Topic 740 dealing with uncertainty in income taxes. No amounts were recorded as a result of the adoption of Topic 740.

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, 2011, 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.

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

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 Statement of Financial Position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

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 Clinic did not hold any securities as of June 30, 2012.

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>2012</u>	<u>2011</u>
Cash in Bank, Fully Insured by FDIC	\$ 71,267	\$ 168,739
Cash in Bank, Collateralized	0	0
Cash in Bank, Uninsured, Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 71,267</u>	<u>\$ 168,739</u>

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

NOTE 4 - ACCOUNTS RECEIVABLE:

Outstanding accounts receivable due to the Clinic and the related allowance for doubtful accounts at June 30, 2012, are as follows:

	<u>2012</u>	<u>2011</u>
Accounts receivable in less than one year	\$ 48,334	\$ 52,848
Less: allowance for doubtful accounts	<u>5,950</u>	<u>6,245</u>
Net receivable	<u>\$ 42,384</u>	<u>\$ 46,603</u>

NOTE 5 - DEPRECIATION:

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

	<u>2012</u>	<u>Method and Years</u>
Building and improvements	\$ 621,145	SL 39
Office Equipment	<u>218,671</u>	SL 5 & 7
	<u>\$ 839,816</u>	

Depreciation expense charged to operations for the years ended June 30, 2012 and 2011 was \$34,226 and \$23,853, respectively.

NOTE 6 - NOTES PAYABLE:

Long-term debt at June 30, 2012 and June 30, 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
\$150,000 line of credit payable to Regions Bank, required to pay interest monthly, maturity date of November 1, 2014, interest rate of 4.75%, secured by substantially all assets and personally guaranteed by several board members.	\$ 83,755	\$ 38,814
\$250,000 line of credit payable to First Security Bank, required to pay interest monthly, maturity date of April 6, 2015, interest rate of 3.15%, secured by substantially all assets and personally guaranteed by several board members.	186,965	0
Note payable to Patterson Financial, monthly payments of \$419.23 through June 2013, interest rate of 9.00%, secured by equipment.	0	9,178

CONWAY INTERFAITH CLINIC, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

NOTE 6 - NOTES PAYABLE (CONTINUED):

	<u>2012</u>	<u>2011</u>
Note payable to Patterson Financial, monthly payments of \$201.30 through September 2015, interest rate of 9.50%, secured by equipment.	<u>0</u>	<u>8,283</u>
	270,720	56,275
Less: Current maturities	<u>0</u>	<u>44,749</u>
Total Long-Term Debt	<u>\$ 270,720</u>	<u>\$ 11,526</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, 2012 and 2011, was \$24,428 and \$24,689, respectively.

NOTE 8 - ARKANSAS COMMUNITY FOUNDATION:

The Clinic is the designated beneficiary of the Conway Interfaith Clinic Operating Endowment (Endowment) that was set up in December of 2006 with the Arkansas Community Foundation. As the Clinic is only the beneficiary and not the owner of the Endowment, the Clinic is not entitled to list the Endowment as an asset. Accordingly, only the income received from the Endowment is recorded in the Clinic's financial statements.

NOTE 9 - 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 Clinic and its ability to continue operations.

NOTE 10 - 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, 2012, have been determined as of the date of the audit report.

SUPPLEMENTAL INFORMATION

CONWAY INTERFAITH CLINIC, INC.

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	Operations			Capital Campaign			Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	2012 Total
Support and Revenue							
Dental income-Medicaid	\$ 0	\$ 397,616	\$ 397,616	\$ 0	\$ 0	\$ 0	\$ 397,616
Dental income	185,478	0	185,478	0	0	0	185,478
Medical income	112,408	0	112,408	0	0	0	112,408
PAP income	15,789	0	15,789	0	0	0	15,789
State funding-Foster Care	0	120	120	0	0	0	120
Contributions	27,143	0	27,143	0	43,210	43,210	70,353
Grant income-United Way	0	41,150	41,150	0	0	0	41,150
Grant income-Other	0	20,100	20,100	0	130,333	130,333	150,433
Interest income	0	0	0	291	0	291	291
Fund raising income	30,867	0	30,867	0	0	0	30,867
Other income	20,115	0	20,115	0	0	0	20,115
Net assets released from restriction-Blue & You	34,084	(34,084)	0	0	0	0	0
Net assets released from restriction-Current Year	458,986	(458,986)	0	173,543	(173,543)	0	0
Total Support and Revenue	884,870	(34,084)	850,786	173,834	0	173,834	1,024,620
Expenses							
Salaries	656,696	0	656,696	0	0	0	656,696
Payroll taxes	52,645	0	52,645	0	0	0	52,645
Employee benefits	52,831	0	52,831	0	0	0	52,831
Professional services	7,805	0	7,805	24,000	0	24,000	31,805
Lab expense	12,366	0	12,366	0	0	0	12,366
Computer expense	627	0	627	1,748	0	1,748	2,375
Supplies	55,990	0	55,990	6,118	0	6,118	62,108
Telephone	4,070	0	4,070	0	0	0	4,070
Office supplies and postage	5,968	0	5,968	239	0	239	6,207
Miscellaneous expense	2,608	0	2,608	53	0	53	2,661
Rent	14,808	0	14,808	0	0	0	14,808
Utilities	13,772	0	13,772	0	0	0	13,772
Repairs and maintenance	7,761	0	7,761	3,169	0	3,169	10,930
Interest expense	9,423	0	9,423	0	0	0	9,423
Insurance	16,231	0	16,231	0	0	0	16,231
Membership dues	446	0	446	0	0	0	446
Staff development	1,042	0	1,042	0	0	0	1,042
Advertising	1,468	0	1,468	0	0	0	1,468
Fund raising fees	11,256	0	11,256	120	0	120	11,376
Depreciation expense	34,226	0	34,226	0	0	0	34,226
Total Expenses	962,039	0	962,039	35,447	0	35,447	997,486
Change in Net Assets	\$ (77,169)	\$ (34,084)	\$ (111,253)	\$ 138,387	\$ 0	\$ 138,387	\$ 27,134

See Accountants' Report on Supplemental Information.