



FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2014 and 2013

LOS ANGELES CHRISTIAN HEALTH CENTERS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Angeles Christian Health Centers
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Christian Health Centers (LACHC), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 LACHC'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 LACHC'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.

Board of Directors
Los Angeles Christian Health Centers
Los Angeles, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Christian Health Centers as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
December 19, 2014

LOS ANGELES CHRISTIAN HEALTH CENTERS

Statements of Financial Position

	June 30,	
	2014	2013
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,393,087	\$ 562,714
Accounts receivable	613,785	477,481
Grants receivable	487,500	125,000
Federal grants receivable	307,286	41,024
Inventory - medicines	26,572	18,484
Prepaid expenses	66,143	60,681
Total current assets	2,894,373	1,285,384
Amount held for others	22,003	18,737
Cash held for long term purposes	1,000,000	-
Leasehold improvements, equipment, and software- net of depreciation	239,030	273,638
Total Assets	\$ 4,155,406	\$ 1,577,759
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 72,019	\$ 91,424
Accrued expenses	586,149	256,198
Notes payable - current portion	-	47,004
Total liabilities	658,168	394,626
Amounts held for others	22,003	18,737
Notes payable - net of current portion	-	133,158
	680,171	546,521
Net assets:		
Unrestricted:		
Undesignated	1,435,164	700,805
Board designated building reserve	1,000,000	-
Net investment in leasehold improvements, equipment, and software	239,030	93,476
	2,674,194	794,281
Temporarily restricted	801,041	236,957
Total net assets	3,475,235	1,031,238
Total Liabilities and Net Assets	\$ 4,155,406	\$ 1,577,759

See notes to financial statements

LOS ANGELES CHRISTIAN HEALTH CENTERS

Statements of Activities

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Federal grants revenue	\$ 3,140,332	\$ -	\$ 3,140,332	\$ 2,700,603	\$ -	\$ 2,700,603
Grant income	24,500	959,500	984,000	150,118	430,002	580,120
Medi-Cal and Medicare patient revenue	2,562,339	-	2,562,339	913,358	-	913,358
Managed care revenue	412,111	-	412,111	386,996	-	386,996
Contributions	789,400	-	789,400	44,846	-	44,846
Contributed services	55,869	-	55,869	274,204	-	274,204
Gifts-in-kind - medicine and medical supplies	284,482	-	284,482	301,615	-	301,615
Medical services contract revenue	1,184,816	-	1,184,816	1,139,295	-	1,139,295
Other income	787	-	787	75,092	-	75,092
Net assets released from restrictions:						
Satisfaction of donor restrictions	395,416	(395,416)	-	469,558	(469,558)	-
Total Support, Revenue, and Reclassifications	8,850,053	564,084	9,414,137	6,455,685	(39,556)	6,416,129
EXPENSES:						
Program services	5,502,672	-	5,502,672	4,845,096	-	4,845,096
Supporting activities:						
General and administrative	1,321,479	-	1,321,479	880,044	-	880,044
Fundraising	145,990	-	145,990	193,519	-	193,519
	1,467,469	-	1,467,469	1,073,563	-	1,073,563
Total Expenses	6,970,140	-	6,970,140	5,918,659	-	5,918,659
Change in Net Assets	1,879,913	564,084	2,443,997	537,026	(39,556)	497,470
Net Assets, Beginning of Year	794,281	236,957	1,031,238	257,255	276,513	533,768
Net Assets, End of Year	\$ 2,674,194	\$ 801,041	\$ 3,475,235	\$ 794,281	\$ 236,957	\$ 1,031,238

See notes to financial statements

LOS ANGELES CHRISTIAN HEALTH CENTERS

Statements of Functional Expenses

Year Ended June 30,

	2014				2013			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising			General and Administrative	Fundraising	
Salaries and wages	\$ 3,205,343	\$ 826,834	\$ 111,393	\$ 4,143,569	\$ 2,690,040	\$ 439,550	\$ 134,544	\$ 3,264,134
Bad debt expense	-	73,053	-	73,053	-	85,094	-	85,094
Benefits and payroll taxes	449,791	136,364	14,559	600,714	416,021	91,428	20,873	528,322
Building and equipment lease and repairs and maintenance expense	275,037	39,939	1,583	316,559	247,822	35,747	7,780	291,349
Conference and seminar expense	9,022	25,545	497	35,064	6,909	15,238	-	22,147
Client outreach	11,798	-	-	11,798	1,779	-	-	1,779
Depreciation and amortization	110,308	17,564	720	128,592	93,142	14,012	3,242	110,396
Gifts-in-kind - medications and supplies	284,482	-	-	284,482	301,616	-	-	301,616
Gifts-in-kind - professional services	55,870	-	-	55,870	274,204	-	-	274,204
Information technology	211,939	22,807	213	234,959	59,085	29,332	1,641	90,058
Insurance expense	42,570	18,449	102	61,120	35,087	14,193	151	49,430
Laboratory testing	150,847	-	-	150,847	136,921	-	-	136,921
Medications and medical supplies	276,522	-	-	276,522	218,190	128	4	218,322
Membership dues and subscriptions	19,275	2,056	4,855	26,186	24,375	1,592	177	26,145
Occupancy costs	63,360	7,791	320	71,470	80,381	14,292	3,307	97,981
Office supplies and expenses	59,952	15,698	904	76,553	44,392	4,471	490	49,353
Other expenses	9,999	16,075	1,088	27,163	23,887	31,487	452	55,826
Parking and transportation expenses	3,229	1,699	-	4,928	4,278	1,211	50	5,539
Postage and printing	10,483	8,639	1,573	20,695	3,928	3,117	163	7,208
Professional services	224,755	103,018	8,054	335,827	161,507	93,308	19,798	274,613
Telephone	28,091	5,949	130	34,169	21,532	5,845	845	28,222
Total	\$ 5,502,672	\$ 1,321,479	\$ 145,990	\$ 6,970,140	\$ 4,845,096	\$ 880,044	\$ 193,519	\$ 5,918,659

See notes to financial statements

LOS ANGELES CHRISTIAN HEALTH CENTERS

Statements of Cash Flows

	Year Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,443,997	\$ 497,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	128,592	110,396
Net change in:		
Accounts receivable	(136,304)	(117,862)
Grants receivable	(362,500)	(67,328)
Federal grants receivable	(266,262)	129,432
Inventory - medicines	(8,088)	2,512
Prepaid expenses	(5,462)	12,874
Accounts payable	(19,405)	(26,161)
Accrued expenses	329,951	53,350
Due to affiliated organization	-	(45,540)
Net Cash Provided by Operating Activities	2,104,519	549,143
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in cash held for long term purposes	(1,000,000)	-
Purchases of equipment	(93,984)	(41,906)
Net Cash Used in Investing Activities	(1,093,984)	(41,906)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(180,162)	(47,004)
Net Cash Used in Financing Activities	(180,162)	(47,004)
Change in Cash and Cash Equivalents	830,373	460,233
Cash and Cash Equivalents, Beginning of Year	562,714	102,481
Cash and Cash Equivalents, End of Year	\$ 1,393,087	\$ 562,714
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (\$0 capitalized)	\$ 7,626	\$ 15,336

See notes to financial statements

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

1. NATURE OF ORGANIZATION:

Los Angeles Christian Health Centers (LACHC) is a nonprofit corporation incorporated in the State of California. The mission of LACHC is to show God's love by providing quality, comprehensive healthcare services to the homeless and underserved.

LACHC derives the majority of its income from grants from the federal government as well as public and private foundations with a significant amount also coming from patient revenue, especially Medi-Cal and medical services contract revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of LACHC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by LACHC are described below.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand and in a checking account. These accounts may, at times, exceed federally insured limits. LACHC has not experienced any losses related to these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due for patient fees and are reported net of any anticipated losses due to uncollectible accounts. LACHC's policy for establishing the allowance for doubtful accounts is based on a percentage of total receivables at year-end. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. For the years ended June 30, 2014 and 2013, the allowance for doubtful accounts was \$73,053 and \$11,280, respectively. Bad debt expense for the years ended June 30, 2014 and 2013, was \$73,053 and \$85,094, respectively.

LEASEHOLD IMPROVEMENTS, EQUIPMENT, AND SOFTWARE

It is the policy of LACHC that expenditures of \$5,000 or more for leasehold improvements, equipment, and software are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years.

ACCRUED EXPENSES

Accrued expenses primarily consist of accrued wages and accrued vacation. For the years ended June 30, 2014 and 2013, accrued wages were \$263,225 and \$76,920, respectively. Accrued vacation for the years ended June 30, 2014 and 2013, was \$209,304 and \$169,273, respectively.

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available at the discretion of the board for use in LACHC's operations and those resources invested in leasehold improvements, equipment, and software.

Temporarily restricted net assets are those which are stipulated by donors for specific programs.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions and grants are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire (ie., when either the purpose restriction is fulfilled or the time restriction expires), the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Grants awarded by foundations are recorded when notified of the award. Grants receivable consist of grants awarded but not yet received.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to LACHC. Conditional promises-to-give are recognized as revenue when the conditions upon which they depend are substantially met. LACHC receives gifts-in-kind, which are recorded as support at the estimated fair value on the date of the gift. For each of the years ended June 30, 2014 and 2013, 33% and 42% of total support, respectively, was provided by one governmental agency.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

CONTRIBUTED SERVICES

Donated services that create or enhance non-financial assets or require specialized skills are recorded in the financial statements at the fair market value of the services provided. Contributed skilled services were received from medical, dental, and mental health providers and the amounts are included in the statements of activities as gifts-in-kind support as well as program expenses.

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

ALLOCATION OF JOINT COSTS

LACHC has adopted the provisions of the Joint Cost topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). This statement requires all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Since all three tests were not met, all costs related to fundraising appeals have been allocated to fundraising for the years ended June 30, 2014 and 2013.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

LACHC is qualified as a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding California provisions, therefore LACHC is exempt from federal and state income taxes. Contributions by the public are eligible to be deducted for income tax purposes.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2014 and 2013, LACHC had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

LACHC files information tax returns in the U.S. and California. LACHC is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

3. GIFTS-IN-KIND AND INVENTORY:

LACHC receives donations of medicine and various other medical supplies for use in the operations of LACHC. These donations of medicine and medical supplies are stated at their fair market values at the date of the gifts and are included in the statements of activities. At year-end, any remaining donated medicine or medical supplies is combined with similarly purchased items and recorded on the statements of financial position as inventory - medicines.

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

4. LEASEHOLD IMPROVEMENTS, EQUIPMENT, AND SOFTWARE:

Leasehold improvements, equipment, and software consist of:

	June 30,	
	2014	2013
Equipment and software	\$ 491,585	\$ 434,450
Leasehold improvements	432,746	432,746
	924,331	867,196
Less accumulated depreciation and amortization	(722,148)	(593,558)
	202,183	273,638
Construction in process	36,847	-
	239,030	273,638
Leasehold improvements, equipment, and software - net		
Less debt secured by leasehold improvements, equipment, and software	-	(180,162)
	-	(180,162)
Net investment in leasehold improvements, equipment, and software	\$ 239,030	\$ 93,476

5. NOTE PAYABLE:

	June 30,	
	2014	2013
Term loan of \$235,000 with a bank secured by equipment and inventory located in Los Angeles, California. Monthly payments include \$3,917 of principal plus interest at prime rate plus 4% (7.25% as of June 30, 2013). The term loan matures on April 1, 2017. The loan was paid off in January 2014.	\$ -	\$ 180,162
Less current portion	-	(47,004)
	-	(47,004)
Long-term portion	\$ -	\$ 133,158

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

6. LEASES:

LACHC leases the clinic office space and office equipment with total monthly payments of \$19,347, maturing from May 2015 until October 2017. Total lease expense was \$242,667 and \$238,874 for the years ended June 30, 2014 and 2013, respectively.

The future minimum payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 242,666
2016	248,559
2017	136,037
2018	<u>139,097</u>
	<u>\$ 766,359</u>

7. RELATED PARTY TRANSACTIONS:

The chief financial officer of the Los Angeles Mission (the Mission) currently serves on the LACHC board.

During the year ended June 30, 2013, the Mission provided LACHC with support in the amount of \$95,000 for office space that LACHC leases from the Mission, and granted services totaling \$15,000 for administrative services. During the year ended June 30, 2014, LACHC paid \$123,000 for the lease and administrative services.

The dental director at LACHC owns a dental practice, which provides services to LACHC. During the years ended June 30, 2014 and 2013, LACHC paid \$33,700 each year for these services.

LOS ANGELES CHRISTIAN HEALTH CENTERS

Notes to Financial Statements

June 30, 2014 and 2013

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2014	2013
Health care operating support	\$ 327,388	\$ 160,224
Building clinic capacity	350,000	-
Health services - general	35,500	6,505
Dental services	88,153	-
Information technology	-	70,228
	\$ 801,041	\$ 236,957

Release of temporarily restricted net assets consist of:

	June 30,	
	2014	2013
Health care operating support	\$ 241,836	\$ 103,222
Building clinic capacity	-	172,738
Health services - general	31,505	75,908
Dental services	51,847	40,916
Information technology	70,228	26,772
Homeless persons enrollment and care	-	50,002
	\$ 395,416	\$ 469,558

9. RETIREMENT PLAN:

LACHC sponsors a 403(b) retirement plan (the Plan). All eligible employees have the option to enter the Plan on the first day of the month following their employment date. Contributions to the Plan made by employees are vested immediately. LACHC also allows discretionary employer contributions to the Plan. No discretionary employer contributions were made during the years ended June 30, 2014 and 2013.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.