



**CPAs & Advisors**

# **North Coast Health**

YEARS ENDED DECEMBER 31, 2014 AND 2013

# NORTH COAST HEALTH

YEARS ENDED DECEMBER 31, 2014 AND 2013

## CONTENTS

	Page
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities and net assets	3
Statements of cash flows	4
Statements of functional expenses	5
Notes to financial statements	6-10

## Independent Auditors' Report

Board of Trustees  
North Coast Health  
Lakewood, Ohio

We have audited the accompanying financial statements of North Coast Health, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and net assets, cash flows and functional expenses 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

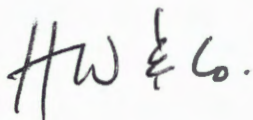
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 North Coast Health as of December 31, 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.



Cleveland, Ohio  
July 20, 2015

# NORTH COAST HEALTH

## STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2014 AND 2013

<b>ASSETS</b>		
	2014	2013
<b>Current assets:</b>		
Cash and cash equivalents	\$ 224,036	\$ 259,794
Grants receivable		45,788
Accounts receivable	99,208	
Inventories	391,876	508,083
Prepaid expenses	7,231	2,125
	722,351	815,790
<b>Property and equipment:</b>		
Land	39,000	39,000
Building and building improvements	500,263	470,887
Furniture and equipment	298,915	258,019
	838,178	767,906
Less: accumulated depreciation	368,128	332,911
	470,050	434,995
<b>Other assets; deposit</b>	1,100	1,100
	<b>\$ 1,193,501</b>	<b>\$ 1,251,885</b>
<b>LIABILITIES AND NET ASSETS</b>		
	2014	2013
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 27,049	\$ 9,392
Lease obligations, current portion	6,312	6,312
Line of credit		50,816
Deferred income	339,123	209,493
	372,484	276,013
<b>Other liabilities:</b>		
Lease obligations, net of current portion	1,052	7,364
	1,052	7,364
<b>Unrestricted net assets:</b>		
Board designated	67,194	128,588
Other	752,771	839,920
	819,965	968,508
	<b>\$ 1,193,501</b>	<b>\$ 1,251,885</b>

The accompanying notes are an integral part of these statements.

# NORTH COAST HEALTH

## STATEMENTS OF ACTIVITIES AND NET ASSETS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Changes in unrestricted net assets:</b>		
Revenue and other support:		
Contributed goods	\$ 2,996,986	\$ 4,585,523
Patient services, net of contractual allowance and discounts	387,494	
Contributed services	287,765	378,583
Foundations and grants	447,543	670,526
Individual contributions and other	233,913	268,217
Special events, net	152,889	163,853
Interest income	648	749
	<u>4,507,238</u>	<u>6,067,451</u>
Total revenue and other support		
	<u>4,507,238</u>	<u>6,067,451</u>
<b>Expenses:</b>		
Program services	4,425,409	5,452,483
Management and general	88,265	137,973
Fund raising	142,107	169,763
	<u>4,655,781</u>	<u>5,760,219</u>
Total expenses		
	<u>4,655,781</u>	<u>5,760,219</u>
<b>Increase (decrease) in net assets</b>	(148,543)	307,232
<b>Net assets, beginning</b>	<u>968,508</u>	<u>661,276</u>
<b>Net assets, ending</b>	<u><u>\$ 819,965</u></u>	<u><u>\$ 968,508</u></u>

The accompanying notes are an integral part of these statements.

# NORTH COAST HEALTH

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (148,543)	\$ 307,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,217	31,169
Bad debts	182,031	
Changes in assets and liabilities:		
Decrease (increase) in inventories	116,207	(288,469)
Decrease (increase) in grants receivable	45,788	(45,788)
Decrease (increase) in prepaid expenses	(5,106)	5,913
Increase in accounts receivable	(281,239)	
Increase in accounts payable and accrued expenses	17,657	4,386
Increase (decrease) in deferred income	129,630	(9,973)
	91,642	4,470
<b>Net cash provided by operating activities</b>		
<b>Cash flows used in investing activities; purchase of property and equipment</b>	(70,272)	(19,738)
<b>Cash flows from financing activities:</b>		
Proceeds for lease obligations		18,410
Payments on lease obligations	(6,312)	(4,734)
Net borrowings (repayments) under line of credit	(50,816)	20,816
	(57,128)	34,492
<b>Net cash provided by (used in) financing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	(35,758)	19,224
<b>Cash and cash equivalents, beginning</b>	259,794	240,570
<b>Cash and cash equivalents, ending</b>	\$ 224,036	\$ 259,794

The accompanying notes are an integral part of these statements.

# NORTH COAST HEALTH

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Program expenses:</b>		
Salaries	\$ 691,311	\$ 739,249
Employee benefits	36,648	83,898
Payroll taxes	33,190	33,634
Total salaries and related expenses	761,149	856,781
Clinic supplies	17,498	18,552
Fees, dues and subscriptions	11,455	11,770
Information technology	55,973	47,688
Patient prescriptions and medical supplies	3,161,053	4,355,990
Postage and shipping	6,213	8,805
Facilities	47,056	47,432
Temporary labor	71,030	23,718
Office expense	32,339	26,686
Travel and meetings	5,104	4,324
Telephone	11,080	10,005
Utilities	6,609	6,179
Insurance	21,602	27,102
Bad debts	182,031	
Depreciation	35,217	31,169
Total program expenses	<b>\$ 4,425,409</b>	<b>\$ 5,476,201</b>
<b>Management and general expenses:</b>		
Salaries	\$ 34,000	\$ 31,680
Employee benefits	2,502	5,341
Payroll taxes	2,266	2,141
Total salaries and related expenses	38,768	39,162
Professional fees and contract services	34,293	24,626
Bank charges	8,045	6,858
Computer hardware and software		679
Minor equipment	1,143	277
Strategic planning	2,546	39,736
Other	3,470	2,917
Total management and general expenses	<b>\$ 88,265</b>	<b>\$ 114,255</b>
<b>Fund raising expenses:</b>		
Salaries	\$ 72,667	\$ 85,565
Employee benefits	5,348	14,425
Payroll taxes	4,843	5,783
Total salaries and related expenses	82,858	105,773
Food and beverages (promotion)	786	776
Information technology	2,869	3,616
Marketing and printing (celebration)	40,693	44,626
Annual campaign	2,558	3,375
Newsletter	8,691	7,168
Miscellaneous	3,652	4,429
Total fund raising expenses	<b>\$ 142,107</b>	<b>\$ 169,763</b>

The accompanying notes are an integral part of these statements.

# NORTH COAST HEALTH

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

**1. Description of Organization and summary of significant accounting policies:**

**Description of Organization:**

North Coast Health (“Organization”) is a faith-based charitable clinic that provides and optimizes access to health care. The Organization’s charitable clinic serves uninsured and insured individuals who earn less than 250% of the Federal poverty level. Clinic services are provided through a combination of paid staff, volunteer physicians, nurses and clerical support teams. At December 31, 2014 and 2013, the Organization had a paid staff of 19 and 20, respectively.

**Basis of presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Financial statement presentation:**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Contributions:**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are classified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are classified as unrestricted when restrictions are met in the same reporting period.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.



# NORTH COAST HEALTH

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

### 1. Description of Organization and summary of significant accounting policies (continued):

#### Accounts receivables and patient service revenue:

Accounts receivable are due from third-party payors. Accounts receivable are recorded at the amount expected to be collected. Revenue from these services is recognized when earned. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered. Reductions are provided for contractual agreements which represent the difference between established billing rates and reimbursement rates paid by third parties.

In evaluating the collectability of accounts receivable related to self-pay patients, the Organization considers a number of factors including the age of accounts, changes in collection patterns, the composition of accounts, and general economic conditions. An allowance for uncollectible accounts of self-pay patients is recorded based upon a consideration of the likelihood that accounts will not be collected in full. The Organization has not recorded an allowance for uncollectible accounts from third-party payors.

#### Income tax status:

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a) of the Code.

The Organization is no longer subject to Federal and local income tax examinations by tax authorities for years before 2011.

#### Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and assumptions.

#### Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# NORTH COAST HEALTH

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

### 1. Description of Organization and summary of significant accounting policies (continued):

#### Property and equipment:

The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Purchased equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of the assets range from five to 39 years.

#### Inventories:

Inventories are stated at the lower of cost (first-in, first-out method) or market.

#### Functional expenses:

Expenses are charged directly to program, management and general, or fund raising in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

#### Grants receivable and deferred income:

At December 31, 2013, grants receivable represents amounts for services performed under grant agreements and not received as of year end. The Organization considers grant receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Grants that are conditional upon services to be performed (and where uncertainty exists as to the likelihood of meeting the conditions) are not recorded as revenue until the conditions are satisfied. The Organization records these grants as revenue in the year the condition is satisfied.

#### Board designated net assets:

The Organization maintains a segregated cash account for future uses of the Organization. The Board retains control of these funds and a 66% vote is required to determine a use of the funds. The board designated net assets totaled \$67,194 at December 31, 2014 and \$128,588 at December 31, 2013.

#### Reclassification:

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

# NORTH COAST HEALTH

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

### 2. Donated services:

The Organization receives services donated by health care professionals. These services totaled \$287,765 in 2014 and \$378,583 in 2013 and have been recognized in the statements of activities and net assets.

In addition to the services donated by health care professionals, the Organization receives a significant amount of donated services from unpaid volunteers who assist in fund raising services and special projects. No amounts have been recognized in the statements of activities for these unpaid volunteers.

### 3. Line of credit:

The Organization has a credit line, available from First Federal Savings and Loan of Lakewood, in the amount of \$150,000 which expires on September 1, 2015. At December 31, 2014, no amount was drawn on the line of credit. At December 31, 2013, \$50,816 was drawn on the line of credit. Interest was payable at 6% at December 31, 2014 and December 31, 2013. The credit line was secured by Organization assets. There was interest expense related to the line of credit of \$606 in 2014 and \$707 in 2013.

### 4. Operating lease:

In December 2010, the Organization entered into an operating lease agreement for office equipment with a five-year term, expiring in February 2016. The monthly payment was \$526 with the first payment due January 2011. During March 2013, the Organization entered into a new agreement for additional office equipment, which, as part of the new agreement, included proceeds of \$18,410 to be used to pay off the existing lease obligation. The Organization has recorded a lease obligation totaling \$7,364 and \$13,676 at December 31, 2014 and 2013, respectively, for the remaining payments on the office equipment lease. The new lease has monthly payments of \$797 through April, 2018 and is recorded as an operating lease on the Organization's financial statements.

In June 2011, the Organization entered into an operating lease for office space originally expiring in May 2012. The Organization has extended the term of the lease through May 31, 2016. Monthly payments ranged from \$1,150 to \$1,300 for 2014 and 2013, and will be \$1,300 per month through the end of the lease term.

Minimum future lease payments under these operating leases are as follows:

2015	\$	31,476
2016		17,116
2017		9,564
2018		<u>3,188</u>
	\$	<u>61,344</u>

## **NORTH COAST HEALTH**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**5. Beneficial interest in charitable remainder trust:**

During December 2013, the Organization was notified that it was named as a 20% beneficiary of a charitable remainder trust. The amount the Organization is to receive is based on the fair value of the Organization's interest in the trust as reported by the trustees at the time of payment upon the death of both the trustee and the trustee's wife. As of December 31, 2014, the trustee's wife remained the only surviving spouse. Distributions can be made from the trust, at the determination of the trustee's wife, to provide for payments deemed necessary or advisable to provide liberally for the care, comfort, support and maintenance of the wife. The charitable remainder trust totaled \$792,556 and \$727,345 at December 31, 2014 and 2013, respectively.

Because neither the trust termination value nor the trust termination date can be determined, no amounts have been recorded at December 31, 2014 and 2013.

**6. Subsequent events:**

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through July 20, 2015, the date the Organization's financial statements were available to be issued.