



Financial Statements
December 31, 2015 and 2014
People's Health Clinic, Inc.

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Independent Auditor's Report

To the Board of Directors of
People's Health Clinic, Inc.
Park City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of People's Health Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

Auditor's 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 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 People's Health Clinic, Inc. as of December 31, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
September 14, 2016

People's Health Clinic, Inc.
 Statements of Financial Position
 December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 203,137	\$ 502,850
Investments	329,135	-
Contributions receivable	717,500	77,021
Property and equipment, net	111,824	163,997
	\$ 1,361,596	\$ 743,868
 Liabilities and Net Assets		
Accounts payable	\$ 11,994	\$ 23,126
Accrued expenses and other liabilities	27,471	32,596
Total liabilities	39,465	55,722
 Net Assets		
Unrestricted		
Undesignated	368,007	431,767
Board-designated operating reserve	26,187	26,187
	394,194	457,954
Temporarily restricted	927,937	230,192
Total net assets	1,322,131	688,146
	\$ 1,361,596	\$ 743,868

People's Health Clinic, Inc.
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Support, and Gains			
Contracts and grants	\$ 107,623	\$ -	\$ 107,623
Patient donations	81,380	-	81,380
Private contributions	378,462	835,649	1,214,111
Donated professional medical services	155,826	-	155,826
In-kind contributions	569,608	-	569,608
Other revenue	692	-	692
Net investment income	(1,895)	-	(1,895)
Gross special events revenue	79,462	-	79,462
Less cost of direct benefits to donors	(9,226)	-	(9,226)
Net assets released from restrictions	137,904	(137,904)	-
	<u>1,499,836</u>	<u>697,745</u>	<u>2,197,581</u>
Total revenue, support, and gains			
Expenses			
Program services expense	1,397,706	-	1,397,706
Supporting services expenses			
Management and general	95,604	-	95,604
Fundraising and development	70,286	-	70,286
	<u>165,890</u>	<u>-</u>	<u>165,890</u>
Total supporting services expenses			
Total expenses	<u>1,563,596</u>	<u>-</u>	<u>1,563,596</u>
Change in Net Assets	(63,760)	697,745	633,985
Net Assets, Beginning of Year	<u>457,954</u>	<u>230,192</u>	<u>688,146</u>
Net Assets, End of Year	<u>\$ 394,194</u>	<u>\$ 927,937</u>	<u>\$ 1,322,131</u>

People's Health Clinic, Inc.
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenue, Support, and Gains			
Contracts and grants	\$ 102,808	\$ -	\$ 102,808
Patient donations	85,507	-	85,507
Private contributions	237,689	193,583	431,272
Donated professional medical services	133,283	-	133,283
In-kind contributions	538,780	-	538,780
Other revenue	2,706	-	2,706
Gross special events revenue	35,179	-	35,179
Less cost of direct benefits to donors	(5,045)	-	(5,045)
Distributions from and change in value of beneficial interests in assets held by others	-	(24,431)	(24,431)
Net assets released from restrictions	595,511	(595,511)	-
Total revenue, support, and gains	<u>1,726,418</u>	<u>(426,359)</u>	<u>1,300,059</u>
Expenses			
Program services expense	<u>1,279,213</u>	<u>-</u>	<u>1,279,213</u>
Supporting services expenses			
Management and general	88,885	-	88,885
Fundraising and development	47,963	-	47,963
Total supporting services expenses	<u>136,848</u>	<u>-</u>	<u>136,848</u>
Total expenses	<u>1,416,061</u>	<u>-</u>	<u>1,416,061</u>
Change in Net Assets	310,357	(426,359)	(116,002)
Net Assets, Beginning of Year	<u>147,597</u>	<u>656,551</u>	<u>804,148</u>
Net Assets, End of Year	<u>\$ 457,954</u>	<u>\$ 230,192</u>	<u>\$ 688,146</u>

People's Health Clinic, Inc.
Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	Management and General	Fundraising and Development	Total
Payroll and related costs	\$ 499,523	\$ 41,374	\$ 51,451	\$ 592,348
Lab and diagnostic services	480,245	-	-	480,245
Professional medical services	155,826	-	-	155,826
Professional services	-	26,683	6,900	33,583
Medical supplies and medicines	92,292	-	-	92,292
Occupancy costs	91,200	10,133	-	101,333
Office	2,834	315	-	3,149
Printing and postage	763	1,303	-	2,066
Telephone and internet	726	81	-	807
Meals and events costs	7,993	10	9,226	17,229
Insurance	10,940	3,184	-	14,124
Community outreach	-	-	11,935	11,935
Other	8,408	7,304	-	15,712
Depreciation	46,956	5,217	-	52,173
Total expenses by function	1,397,706	95,604	79,512	1,572,822
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(9,226)	(9,226)
Total expenses	\$ 1,397,706	\$ 95,604	\$ 70,286	\$ 1,563,596

People's Health Clinic, Inc.
Statement of Functional Expense
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising and Development	Total
Payroll and related costs	\$ 462,510	\$ 33,348	\$ 34,680	\$ 530,538
Lab and diagnostic services	437,456	-	-	437,456
Professional medical services	133,283	-	-	133,283
Professional services	-	29,062	7,200	36,262
Medical supplies and medicines	45,372	-	-	45,372
Occupancy costs	93,097	10,344	-	103,441
Office	2,566	285	-	2,851
Printing and postage	512	709	-	1,221
Telephone and internet	2,274	253	-	2,527
Meals and events costs	32,181	21	5,045	37,247
Insurance	10,430	3,009	-	13,439
Community outreach	-	-	6,083	6,083
Other	10,976	6,459	-	17,435
Depreciation	48,556	5,395	-	53,951
Total expenses by function	1,279,213	88,885	53,008	1,421,106
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(5,045)	(5,045)
Total expenses	<u>\$ 1,279,213</u>	<u>\$ 88,885</u>	<u>\$ 47,963</u>	<u>\$ 1,416,061</u>

People's Health Clinic, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 633,985	\$ (116,002)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	52,173	53,951
Distributions from and change in value of beneficial interest in assets held by others	-	84,432
Changes in operating assets and liabilities		
Contributions receivable	(640,479)	(57,521)
Accounts payable	(11,132)	15,343
Accrued expenses and other liabilities	(5,125)	18,263
Net Cash from (used for) Operating Activities	29,422	(1,534)
Investing Activities		
Purchases of property and equipment	-	(12,560)
Purchases of investments	(329,135)	-
Transfer of beneficial interest in assets held by others	-	404,314
Net Cash from (used for) Investing Activities	(329,135)	391,754
Net Change in Cash and Cash Equivalents	(299,713)	390,220
Cash and Cash Equivalents, Beginning of Year	502,850	112,630
Cash and Cash Equivalents, End of Year	\$ 203,137	\$ 502,850

Note 1 - Principal Activity and Significant Accounting Policies

Organization

People's Health Clinic, Inc. (the Clinic) is a nonprofit organization established in 1999 to provide quality non-emergency health care to uninsured residents of Summit and Wasatch Counties of Utah. The Clinic operates a health care facility which provides family practice and obstetric clinics.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

Contributions Receivable

We record contributions receivable expected to be collected within one year at net realizable value. Contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectable. At December 31, 2015 and 2014 no allowance was recorded by the Clinic.

Property and Equipment

We record property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to fifteen years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2015 and 2014.

Interest in the Net Assets of Affiliated Organization

The Clinic is supported by the People's Health Clinic Foundation (the Foundation) whose sole mission and purpose is to support the Clinic. All amounts raised by the Foundation are for the explicit benefit of the Clinic and as such the Foundation did not have variance power, or the unilateral right to redirect amounts to another recipient. Because the Foundation and the Clinic were financially interrelated organizations, as defined by generally accepted accounting principles (GAAP), and because variance power was not granted to the Foundation, the Clinic recognized its interest in the net assets of the Foundation and adjusts that interest for the change in net assets of the Foundation. Effective July 31, 2014 the Foundation transferred its net assets totaling \$404,314 to the Clinic, and ceased operations as the Foundation.

Investments

The Clinic records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and board-designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Clinic reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements.

Contributions and Revenue Recognition

Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received (Note 4).

Functional Allocation of Expenses

The costs of program and supporting services activities 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.

Income Tax Status

The Clinic is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Clinic is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Clinic is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Clinic has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Clinic believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Clinic would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires us 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 and those differences could be material.

Financial Instruments and Credit Risk

The Clinic manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions it believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Clinic has not experienced losses in any of these accounts. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of our mission.

Subsequent Events

The Clinic has evaluated subsequent events through September 14, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Clinic can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Clinic develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Clinic's assessment of the quality, risk or liquidity profile of the asset or liability.

The fair value of the Clinic's investment assets are classified as Level 1 because they are comprised of open-end mutual funds and money market funds with readily determinable fair values based on daily redemption values.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2015:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 113,537	113,537	\$ -	\$ -
Money market funds	215,598	215,598	-	-
	<u>\$ 329,135</u>	<u>\$ 329,135</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2015 and 2014:

	2015	2014
Leasehold improvements	\$ 67,804	\$ 67,804
Medical equipment	205,986	205,986
Office equipment	130,749	130,749
	404,539	404,539
Less accumulated depreciation	(292,715)	(240,542)
	<u>\$ 111,824</u>	<u>\$ 163,997</u>

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	2015	2014
Restricted by donors for		
Dental services	\$ 31,453	\$ 11,053
Dental equipment	25,000	25,000
Women's health	-	24,472
Dental sustainability	-	10,000
Vision services	83,702	53,724
Breast cancer services	68,877	51,972
Other	1,405	11,000
Time restrictions (proceeds are not restricted by donors)		
Contributions receivable	717,500	42,971
	\$ 927,937	\$ 230,192

Net assets were released from restrictions as follows during the years ended December 31, 2015 and 2014:

	2015	2014
Expiration of time restrictions	\$ 42,971	\$ 19,500
Satisfaction of purpose restrictions		
Dental services	9,600	19,447
Women's health	26,972	12,977
Dental sustainability	10,000	-
Vision services	8,007	18,751
Breast cancer services	29,829	33,068
Other	10,525	3,022
	94,933	87,265
Distributions (proceeds are not restricted by donors)		
Beneficial interests in assets held by others	-	488,746
	\$ 137,904	\$ 595,511

Note 5 - Donated Professional Services and Materials

We received donated professional services and materials as follows during the years ended December 31, 2015 and 2014:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>December 31, 2015</u>				
Professional in-kind services	\$ 155,826	\$ -	\$ -	\$ 155,826
Laboratory in-kind services	444,303	-	-	444,303
Occupancy cost	72,450	8,050	-	80,500
Medical supplies	36,902	-	-	36,902
Meals & entertainment	7,903	-	-	7,903
	<u>\$ 717,384</u>	<u>\$ 8,050</u>	<u>\$ -</u>	<u>\$ 725,434</u>
<u>December 31, 2014</u>				
Professional in-kind services	\$ 133,283	\$ -	\$ -	\$ 133,283
Laboratory in-kind services	426,284	-	-	426,284
Occupancy cost	72,450	8,050	-	80,500
Medical supplies	23,355	-	-	23,355
Meals & entertainment	8,641	-	-	8,641
	<u>\$ 664,013</u>	<u>\$ 8,050</u>	<u>\$ -</u>	<u>\$ 672,063</u>

Note 6 - Commitments

The Clinic leases its professional and office space from Summit County under a 40 year lease which began in December 2009. The lease requires that the Clinic pay \$1 per year to lease the space and the lease requires the Clinic to pay its share of operating and maintenance costs for the building. Donated rent totaling \$80,500 was recorded during the years ended December 31, 2015 and 2014. The Clinic may terminate the lease upon six months prior written notice.

Note 7 - Retirement Plan

The Clinic maintains a Simple IRA, which is a defined contribution retirement plan (the Plan), for the benefit of its employees. Under the Plan the Clinic will match up to three percent of an employee's contribution on a dollar-for-dollar basis. An employee must meet certain eligibility requirements in order to participate in the Plan. The Clinic made contributions to the Plan totaling \$5,606 and \$5,280 for the years ended December 31, 2015 and 2014.

Note 8 - Related Party Transactions

The Foundation's sole mission was to provide support to the Clinic. While the Foundation and the Clinic had independent governing boards, the Clinic was represented on the Foundation's board of trustees by two ex-officio board members, the Clinic's board chair and executive director. All amounts raised by the Foundation were for the explicit benefit of the Clinic. During the year ended December 31, 2014, the Foundation transferred \$84,432 to the Clinic in support of its operations. Effective July 31, 2014, the Foundation was legally dissolved and the remaining undistributed net assets of the Foundation totaling \$404,314 were transferred to the Clinic.

The Foundation and the Clinic shared certain common expenses. Commonly incurred costs represent primarily wages (executive and finance) and other payroll related costs. These costs were allocated as determined by Foundation and Clinic management based on portion of time spent by shared employees. During the year ended December 31, 2014, the Foundation's shared costs totaled \$39,862. At December 31, 2015 and 2014, no amounts were payable to the Clinic related to reimbursement for shared expenses.