

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005

THE POPE CPA FIRM, PA

Certified Public Accountants

Charlotte, North Carolina

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Charlotte, North Carolina

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THE POPE CPA FIRM, PA
Certified Public Accountants
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Independent Auditors' Report

The Board of Directors
Charlotte Community Health Clinic, Inc.
Charlotte, North Carolina

We have audited the accompanying statement of financial position of Charlotte Community Health Clinic, Inc. as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 principals 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 Charlotte Community Health Clinic, Inc., as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Charlotte, North Carolina
July 31, 2006

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Financial Position
December 31, 2005

Current Assets:	
Cash, including interest bearing deposits	\$ 105,241
Prepaid insurance	<u>724</u>
Total current assets	<u>105,965</u>
Fixed Assets:	
Furniture and equipment (net of accumulated depreciation of \$3,753)	<u>13,093</u>
Intangible Asset:	
Organization cost (net of accumulated amortization \$2,223)	<u>202</u>
Total Assets	\$ <u><u>119,260</u></u>
Current Liabilities:	
Accounts payable	\$ <u>1,500</u>
Net Assets:	
Unrestricted	82,097
Temporarily restricted (Note 5)	<u>35,663</u>
Total Net Assets	<u>117,760</u>
Total Liabilities and Net Assets	\$ <u><u>119,260</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Activities
For the Year Ended December 31, 2005

Support and revenues	
Grants	\$ 97,846
Contributions	482,877
Interest income	976
Patient fees	16,795
Miscellaneous	<u>579</u>
Total Revenues	<u>599,073</u>
Expenses	
Primary care	415,802
General and administrative	<u>120,686</u>
Total Expenses	<u>536,488</u>
Change in net assets	62,585
Net assets, beginning of year	<u>55,175</u>
Net assets, end of year	\$ <u><u>117,760</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Cash Flows
For the Years Ended December 31, 2005

Cash Flows from Operating Activities:	
Decrease in net assets	\$ 62,585
Adjustments to reconcile change in net assets to net cash provided:	
Amortization and depreciation	2,611
Non-cash contributions of equipment	(1,900)
Decrease in:	
Accounts payable	(<u>12,065</u>)
Net cash provided by Operating activities	51,231
Cash used for:	
Furniture and equipment	(<u>1,165</u>)
Net increase in cash	50,066
Cash at beginning of year	<u>55,175</u>
Cash at end of year	\$ <u><u>105,241</u></u>

The accompanying notes to financial statements are an integral part
of these financial statements.

CHARLOTTE COMMUNITY HEALTH CLINIC, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2005

	<u>Primary Health Care</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Compensation	\$ 129,404	71,364	200,768
Lab work	17,147	-	17,147
Medical screening	176,717	-	176,717
Drugs	37,284	-	37,284
Dues	-	1,070	1,070
Utilities	867	289	1,156
Postage	-	779	779
Accounting and audit	-	3,500	3,500
Staff development	-	1,411	1,411
Medical supplies	5,432	-	5,432
Other expense	135	658	793
Printing and reproduction	-	9,295	9,295
Rent-building	43,031	14,344	57,375
Volunteer development	-	2,497	2,497
Linen service	1,389	-	1,389
Insurance	-	7,968	7,968
Cleaning	2,996	999	3,995
Bank service charges	-	394	394
Repairs and maintenance	-	845	845
Office supplies	<u>-</u>	<u>4,062</u>	<u>4,062</u>
Total expenses before amortization and depreciation	414,402	119,475	533,877
Amortization and depreciation	<u>1,400</u>	<u>1,211</u>	<u>2,611</u>
Total expenses	\$ <u>415,802</u>	<u>120,686</u>	<u>536,488</u>

The accompanying notes to financial statements are an integral part of this financial statement.

CHARLOTTE COMMUNITY HEALTH CLINIC , INC.

Notes to Financial Statements
December 31, 2005

Note 1 - Nature of Organization

Charlotte Community Health Clinic, Inc. was formed June 27, 2001 under the laws of the State of North Carolina as a non-profit, non-stock corporation for the purpose of providing a free health clinic for the low-income, uninsured in Mecklenburg County, primarily providing health care to chronic disease patients. It is located in Charlotte, North Carolina.

Note 2 - Summary of Significant Accounting Policies

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

The Clinic's policy is to prepare its financial statements on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Income Taxes

Charlotte Community Health Clinic, Inc. is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Charlotte Community Health Clinic, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2003.

Cash and Cash Equivalents

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

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 these estimates.

Contributed Services

Contributed services are reported as contributions when they would typically need to be purchased by the Clinic if they had not been provided by contributions and if they require specialized skills and are provided by individuals with those skills.

Promises to Give

Contributions are recognized with 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.

Equipment and furniture

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Purchased property and equipment is stated at cost at date of acquisition.

Note 3 - Contributed Services

During the year ended December 31, 2005, the value of contributed services meeting the requirements for recognition in the financial statement as contributions and as expense was as follows:

physical exams	\$ 172,572
lab tests	<u>17,147</u>
	\$ <u>189,719</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Clinic, but these services do not meet the criteria for recognition as contributed services.

Note 4 - Net Asset Restrictions

At December 31, 2005 the Clinic had temporarily restricted net assets of \$ 35,663, of which \$10,663 was restricted for medical assistance in eradicating breast cancer and \$25,000 was for providing medical assistance to those Gulf Coast residents who have been displaced to Charlotte.

Note 5 - Promise to Give

A local hospital signed an agreement dated January 22, 2004 promising to pay salaries for the Clinic staff and furnish the space from which the Clinic operates and furnish laboratory services. The agreement is for three years and shall renew automatically for additional one year terms. The agreement may be terminated by either party without cause upon at least ninety days prior written notice. The following expenses were paid for the Clinic during 2005 by the hospital and are included as contributions and expenses in the accompanying financial statements:

Salaries, benefits and payroll taxes	\$ 181,191
Drugs	4,628
Rent and utilities	58,495
Administration costs	<u>2,580</u>
	\$ <u>246,894</u>

Note 6 - Concentration of Support

As described in note 5, approximately forty per cent of the support for the Clinic comes from a local hospital.

