

HOPE FAMILY HEALTH SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007

HOPE FAMILY HEALTH SERVICES, INC.

TABLE OF CONTENTS

PAGE

Financial Section

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

To the Board of Directors of
Hope Family Health Services, Inc.
Westmoreland, Tennessee

I have audited the accompanying statement of financial position of Hope Family Health Services, Inc. (a nonprofit Clinic) as of December 31, 2007, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Family Health Services, Inc., as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

John R. Poole, CPA

May 20, 2008

HOPE FAMILY HEALTH SERVICES, INC.

Statement of Financial Position

December 31, 2007

Assets

Current assets:

Cash - checking accounts	\$	134,422
Certificate of deposits		40,000
Accounts receivable, net of allowance		60,083
Total current assets		<u>234,505</u>

Property and equipment at cost:

Furniture and equipment		29,257
Computer software		5,995
Less: accumulated depreciation		10,947
Net property and equipment		<u>24,305</u>

Utility deposits

260

Total assets

\$ 259,070

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	3,984
Accrued expenses		9,756
Loans from key employees		4,321
Total current liabilities		<u>18,061</u>

Long-term liabilities- Loans from key employees

13,377

Net Assets:

Unrestricted		<u>227,632</u>
Total net assets		<u>227,632</u>

Total liabilities and net assets

\$ 259,070

HOPE FAMILY HEALTH SERVICES, INC.

Statement of Activities

For the year ended December 31, 2007

Support and Revenue	
Service revenue	\$ 672,962
Contributions	9,573
Grants	27,970
Total support and revenue	<u>710,505</u>
Expenses:	
Clinic services	441,655
Management and general	48,418
Total expenses	<u>490,073</u>
Increase (decrease) in net assets	<u>220,432</u>
Beginning of year net assets	7,200
End of year net assets	\$ <u><u>227,632</u></u>

HOPE FAMILY HEALTH SERVICES, INC.

Statement of Functional Expenses

For the year ended December 31, 2007

	<u>Clinic Services</u>	<u>Management and Development</u>	<u>Total Program Expenses</u>
Salaries and wages	254,105	25,238	279,343
Payroll taxes	22,853	2,539	25,392
Occupancy	20,134	-	20,134
Telephone	5,138	-	5,138
Contract labor	44,440	-	44,440
Medical supplies	52,497	-	52,497
Office expenses	9,093	6,808	15,901
Professional services	12,913	9,110	22,023
Insurance	9,042	1,285	10,327
Licenses and dues	1,594	-	1,594
Interest	-	2,175	2,175
Depreciation	5,762	-	5,762
Miscellaneous	4,084	1,263	5,347
Total expenses	<u>441,655</u>	<u>48,418</u>	<u>490,073</u>

HOPE FAMILY HEALTH SERVICES, INC.

Statement of Cash Flows

For the year ended December 31, 2007

Cash flows from operating activities:	
Service revenue	\$ 649,175
Contributions and grants received	37,543
Cash paid for:	
Salaries and related expenses	(304,735)
Program and support services	<u>(181,535)</u>
Net cash provided by operating activities	<u>200,448</u>
Cash flows used by financing activities	
Repayments on loans from key employees	<u>(26,231)</u>
Net cash flows used by financing activities	<u>(26,231)</u>
Cash flows used by investing activities	
Purchase of certificate of deposits	(40,000)
Acquisition of fixed assets	<u>(22,213)</u>
Net cash flows used by investing activities	<u>(62,213)</u>
Net increase in cash and cash equivalents	<u>112,004</u>
Cash and cash equivalents at beginning of year	22,418
Cash and cash equivalents at end of year	\$ <u><u>134,422</u></u>
Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities	
Increase (decrease) in net assets	\$ 220,432
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	5,762
Changes in assets (increase) decrease:	
Accounts receivable	(23,787)
Other assets	205
Changes in liabilities increase (decrease)	
Accounts payable	187
Accrued expenses	<u>(2,351)</u>
Net cash provided by operating activities	\$ <u><u>200,448</u></u>

The accompanying notes are an integral part of these statements.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to the Financial Statements December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope Family Health Services, Inc. (also known as Hope Clinic) is a non-profit Clinic in Westmoreland, Tennessee. The Clinic's mission is to provide complete primary health care to individuals from all socio-economic backgrounds in the surrounding communities, but with an emphasis on serving the medically uninsured and indigent population.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, "Not-for-Profit Organizations."

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SAS No. 117, the Clinic is required to report information regarding its financial position and activities according to the three classes of net assets. In addition, the Clinic is required to present a statement of cash flows. As permitted by the statement, the Clinic has discontinued its use of fund accounting.

Contributions

In accordance with SAS 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to the Financial Statements December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

Hope Family Health Services, Inc. receives many hours of donated time from various citizens. It is impractical to estimate a value for these services, as such no such value has been placed on these services in the Clinic's financial statements.

Donor -Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor- stipulated time restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Depreciation

Depreciation is provided for over the estimated useful lives of the assets. Assets are depreciated using the straight-line method of depreciation.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Functional Allocation of Expenses

The costs of providing the Clinic's program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs may have been allocated among the programs and supporting services.

Income Taxes

The Clinic is a not-for-profit Clinic that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to the Financial Statements December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Revenue

Deferred revenue is recorded when a potential revenue does not meet the criteria for recognition in the current period. In subsequent periods, when this criteria is met, revenue is recognized.

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.

2. FIXED ASSETS

A summary of fixed asset activity is noted below:

	Balance <u>01/01/07</u>	<u>Addition</u>	<u>Retirement</u>	Balance <u>12/31/07</u>
Computer software	5,995	-	-	5,995
Furniture and equipment	<u>7,044</u>	<u>22,213</u>	<u>-</u>	<u>29,257</u>
Total	13,039	22,213	-	35,252
Less: Accumulated depreciation	<u>(5,185)</u>			<u>(10,947)</u>
Net fixed assets	\$ <u>7,854</u>			<u>24,305</u>

Depreciation expense for the year ended December 31, 2007 was \$5,762.

3. OPERATING LEASE

The Clinic leases office space. During the year ended December 31, 2007 the Clinic's rent expense was \$16,500.

HOPE FAMILY HEALTH SERVICES, INC.

Notes to the Financial Statements
December 31, 2007

4. LOANS FROM KEY EMPLOYEES

In the Clinic's initial year of operation, two key employees have loaned the clinic a total of \$60,000. In the current year, one of the loans has been repaid in full, the other loan has an outstanding balance of \$17,698.

Principal requirements of these loans for the next four years consists of:

2008	\$ 4,321
2009	4,580
2010	4,855
2011	<u>3,942</u>
Total debt	<u>\$17,698</u>

Additionally, the Clinic has a \$10,000 line of credit, there was no outstanding balance on this line of credit at December 31, 2007.

5. INSURANCE CONTRACTS:

Amounts received from the various insurance agencies are subject to audit and adjustment by these agencies. Any disallowed claims including amounts already collected, could become a liability of the Clinic.