

SACRED HEART COMMUNITY CLINIC

Audited Financial Statements

For the Year Ended December 31, 2022

and Independent Auditors' Report

SACRED HEART COMMUNITY CLINIC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sacred Heart Community Clinic

Opinion

We have audited the accompanying financial statements of Sacred Heart Community Clinic, (a non-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacred Heart Community Clinic as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sacred Heart Community Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sacred Heart Community Clinic's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sacred Heart Community Clinic's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sacred Heart Community Clinic's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ludwick, Mentzer & Stupp, P.C.

Temple, TX
June 23, 2023

SACRED HEART COMMUNITY CLINIC

Statement of Financial Position

December 31, 2022

	<u>2022</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 511,619
Accounts receivables	18,750
Prepaid expense	8,124
Investments	225,621
Total Current Assets	<u>764,114</u>
Property and Equipment - Note 5	
Building and improvements	557,893
Furniture and equipment	140,703
Less accumulated depreciation	<u>(190,113)</u>
Total Property and Equipment	<u>508,483</u>
Total Assets	<u>\$ 1,272,597</u>
Liabilities & Net Assets	
Current Liabilities	
Accounts payable	\$ 24,244
Deferred revenue	53,834
Total Current Liabilities	<u>78,078</u>
Total Liabilities	78,078
Net Assets - Note 2	
Net assets without donor restrictions	1,177,644
Net assets with donor restrictions	16,875
Total Net Assets	<u>1,194,519</u>
Total Liabilities & Net Assets	<u>\$ 1,272,597</u>

The accompanying notes are an integral part of the financial statements.

SACRED HEART COMMUNITY CLINIC

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restrictions	Total
Support and Revenue			
Professional services agreement	\$ 154,311	\$ -	\$ 154,311
Contributions of cash and other financial assets	133,913	-	133,913
Contributions of nonfinancial assets	397,388	-	397,388
Grant revenue	206,074	16,875	222,949
Special events	180,247	-	180,247
Interest and dividend income	10,567	-	10,567
Unrealized gain (loss) on investments	(28,186)	-	(28,186)
Miscellaneous	2,363	-	2,363
Net assets released from restrictions	18,750	(18,750)	-
	<u>1,075,427</u>	<u>(1,875)</u>	<u>1,073,552</u>
Expenses			
Program services	835,247	-	835,247
Support services			
Management and general	202,895	-	202,895
Fundraising expense	124,594	-	124,594
	<u>1,162,736</u>	<u>-</u>	<u>1,162,736</u>
Total Expenses	<u>1,162,736</u>	<u>-</u>	<u>1,162,736</u>
Change in Net Assets	(87,309)	(1,875)	(89,184)
Net Assets as of the Beginning of Year	<u>1,264,953</u>	<u>18,750</u>	<u>1,283,703</u>
Net Assets as of End of Year	<u>\$ 1,177,644</u>	<u>\$ 16,875</u>	<u>\$ 1,194,519</u>

The accompanying notes are an integral part of these financial statements

SACRED HEART COMMUNITY CLINIC

Statement of Functional Expenses

For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Dental supplies	\$ 36,669	\$ -	\$ -	\$ 36,669
Depreciation	25,708	1,935	-	27,643
Donated medical services	337,982	-	-	337,982
Donated pharmaceuticals	58,196	-	-	58,196
Fees and dues	-	11,570	-	11,570
Insurance	-	4,428	-	4,428
Medical ancillary services	29,480	-	-	29,480
Medical supplies	12,446	-	-	12,446
Miscellaneous	154	-	-	154
Mobile clinic	3,020	-	-	3,020
Occupancy	-	19,713	-	19,713
Office Supplies	700	16,789	-	17,489
Payroll taxes	13,451	9,248	5,324	28,023
Pharmaceuticals	14,324	-	-	14,324
Postage and printing	-	1,619	-	1,619
Professional services	127,678	8,150	-	135,828
Salaries and wages	175,439	120,614	69,445	365,498
Special events	-	-	49,825	49,825
Telephone	-	5,478	-	5,478
Travel and training	-	3,351	-	3,351
	<u>\$ 835,247</u>	<u>\$ 202,895</u>	<u>\$ 124,594</u>	<u>\$ 1,162,736</u>

The accompanying notes are an integral part of the financial statements.

SACRED HEART COMMUNITY CLINIC

Statement of Cash Flows

For the Year Ended December 31, 2022

	<u>2022</u>
Cash Flows from Operating Activities	
Change in net assets	\$ (89,184)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	27,643
Unrealized (gain) loss on investments	28,186
Changes in operating assets and liabilities:	
(Increase) Decrease in accounts receivable	87,500
(Increase) Decrease in prepaid expenses	(4,605)
Increase (Decrease) in accounts payable	1,481
Increase (Decrease) in deferred revenue	53,834
Net cash provided (used) by operating activities	<u>104,855</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(1,368)</u>
Net cash provided (used) by investing activities	<u>(1,368)</u>
Net increase (decrease) in cash	103,487
Cash at the beginning of the year	<u>408,132</u>
Cash at the end of the year	<u><u>\$ 511,619</u></u>

The accompanying notes are an integral part of the financial statements.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sacred Heart Community Clinic, (“The Organization”) is a non-profit corporation established in May of 2010 to operate a health clinic that provides free health care services to qualified, uninsured and underinsured individuals living in Williamson County, Texas. Currently, Sacred Heart Community Clinic utilizes volunteers including physicians, nurses, nurse practitioners and pharmacists, as well as nonmedical volunteers. The Organization receives support through contributions from individuals, businesses, churches and other organizations in the area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows FASB ASC 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash and Cash Equivalents

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

Accounts Receivable

The Organization considers all receivables to be 100% collectible based on historical collection rates. Therefore, no allowance is considered necessary.

Fixed Assets

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred, and significant renewals and betterments are capitalized. Acquisitions of fixed assets in excess of \$1,000 are capitalized.

Useful lives of fixed assets are as follows:

Building and improvements	7-40 years
Furniture and equipment	5-7 years

Deferred Revenue

Deferred revenue consists of contract revenue received in the current year that represents revenue to be recognized in the subsequent year or when it is earned.

Contributions of Nonfinancial Assets

Donated direct professional services and other noncash donations are recorded as contributions of nonfinancial assets at their estimated fair values at the date of donation.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Cash and Other Financial Assets

All contributions are considered to be without donor restriction 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 assets with donor restrictions, support that increases net asset with donor restrictions. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)” as of January 1, 2019 which related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees and lease contracts, management applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligation, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of ASU 2014-09 resulted in no changes of presentation of financial statements. Because contracts are generally completed within one year, the Organization used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending December 31, 2022.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, Leases (“Topic 842”). The new standard increases transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases. The standard had no material impact on the Organization’s current year statement of financial position, statement of cash flows and statement of activities. The Organization has elected to utilize the risk-free rate as the discount rate for finance and operating leases.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (continued)

The Organization also elected the package of practical expedients, which permits the Organization to not reassess (a) whether any expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases and (c) any initial direct costs for any existing leases as of the effective date. The Organization did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment. There were no leases that met the requirements of the new standard as of December 31, 2022.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2020-07, “Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets”. The standard was effective for year-ends beginning after June 15, 2021. We adopted the requirements of the new standard effective January 1, 2022 and applied the standard retrospectively to the year presented. Adoption of the new standard had no material impact on the financial statement for the year ended December 31, 2022.

Income Taxes

The Organization 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, Sacred Heart Community Clinic 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. A required information return is filed annually. The federal income tax returns for the Organization for 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they are filed.

Expense Allocation

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

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense assessment. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses are allocated to *Program Services, Management and General, and Fundraising* based on the basis of estimates of time and effort.

Accrued Compensated Absences

Accrued compensated absences are not able to be reasonably estimated; therefore, no accrual has been recorded.

Use of Estimates

The preparation of financial statements is 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.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 2 – NET ASSETS

Net assets are available for the following purposes:

Net Assets:	<u>2022</u>
Without donor restrictions	\$ 1,177,644
With donor restrictions (United Way)	<u>16,875</u>
Total Net Assets	<u>\$ 1,194,519</u>

NOTE 3 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets availability reduced by the amounts not available for general expenditures within one year of the statement of financial position date because of contractual, grant or donor imposed restrictions as well as any board designations. As of December 31, 2022, the Organization has \$739,115.

	<u>2022</u>
Financial assets at year-end	\$ 755,990
Less those unavailable for general expenditures within one year, due to:	
Donor (Grant) - imposed restrictions:	
Program Services - United Way	<u>(16,875)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 739,115</u>

The Organization is substantially supported by donor and grant contributions. Donor restrictions require resources to be used in a particular manner, therefore the Organization must maintain sufficient resources to meet those responsibilities to its donors. Availability of financial assets may be affected by its nature, external limits imposed on by donors, grantors, laws and contracts with others and internal limits imposed by governing board decisions. For this reason, financial assets may not be available for general expenditure within one year.

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations that come due. Cash is held on depository accounts.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 4 - INVESTMENTS

From time to time the Organization receives donated investments. Investments are reported at fair market value. Unrealized gains and losses are reflected in the statement of activities. As of December 31, 2022, the fair market value is:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash	\$ 23,855	\$ 23,855
Mutual Funds	209,215	201,766
	<u>\$ 233,070</u>	<u>\$ 225,621</u>

There is an unrealized loss of \$28,186 for the year ended December 31, 2022.

A hierarchy of different levels is used in determining fair market value. The various levels are as follows:

Level 1- valuations based on quoted prices in an active market for identical assets or liabilities.

Level 2- valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3- valuations based on inputs that are not observable and significant to the overall fair value measurement.

As of December 31, 2022, all investments were classified as level one.

NOTE 5 - FIXED ASSETS

Fixed assets consists of the following at December 31, 2022:

	<u>2022</u>
Buildings and improvements	557,893
Furniture and equipment	140,703
	<u>698,596</u>
Less accumulated depreciation	<u>(190,113)</u>
Net fixed assets	<u>\$ 508,483</u>

Depreciation expense for the year was \$27,643.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 6 – CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>
Donated Professional Services	\$ 337,982
Pharmaceuticals	59,406
	<u>\$ 397,388</u>

The Organization recognized nonfinancial assets within revenue, including donated professional services and pharmaceuticals. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The donated services recognized in the financial statements consist of volunteer hours for medical and dental services, along with other professional services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. There are some donated services that do not meet the requirements for reporting under FASB ASC 958-605. Therefore, they are not recorded in the financial statements.

Pharmaceuticals donated are used by the Organization and provided to patients as needed. Donated items are treated as contribution income, and items disbursed are treated as a program expense. All contributed pharmaceuticals were donated and valued at fair market value at date of receipt. In valuing the pharmaceuticals, the Organization estimated fair market value on the basis of estimates of retail values that would be received selling similar items in the United States.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued liabilities if any, approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

NOTE 8 – CONTRACTUAL AGREEMENTS

The Organization entered into a Professional Services Agreement (the Agreement) with St. David's Healthcare Partnership, L.P., LLP, January 1, 2018, amended March 1, 2018, with an initial term of one year and thereafter shall be automatically renewed under identical terms for another year unless otherwise terminated in accordance with the agreement. The agreement contains certain performance and compliance provisions involving a minimum number of patient visits and hours of availability during the twelve-month term, as well as compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The payout varies for each year based on completion and approval of the patient reports. For the year ended December 31, 2022, the Organization received \$154,311 under the contract, accounting for 14 percent of total revenues.

SACRED HEART COMMUNITY CLINIC

Notes to the Financial Statements

For the Year Ended December 31, 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization entered into a cancellable lease contract with St. Williams Catholic Church, commencing on May 1, 2011 for an initial period of ten years for the lease of the building. Base monthly rent for the building is \$1 a month, or \$12 annually.

The Organization is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors and omissions, injuries to employees/volunteers and natural disasters. During the year ended December 31, 2022, the Organization was covered by insurance for these various risks at a reasonable level and a cost considered to be economically viable.

NOTE 10 – CREDIT RISK

The Organization maintains cash with three different financial institutions which are insured by either the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2022. In one institution, the Organization has \$1,450 in excess of FDIC protection for the year ended December 31, 2022.

NOTE 11 – CONCENTRATIONS OF SOURCES OF REVENUE

The Organization relies on grants, contributions and donated professional services in order to provide services to its patients. The loss of these grants and donations would significantly impair the Organization's ability to function.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 23, 2023 the date which the financial statements were available to be issued. No subsequent items require disclosure to the financial statements.