

GENESIS COMMUNITY HEALTH
(a nonprofit organization)

FINANCIAL STATEMENTS

Years Ended May 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Genesis Community Health
Boise, Idaho

We have audited the accompanying financial statements of Genesis Community Health (a nonprofit organization), which comprise the statements of financial position as of May 31, 2016 and 2015, 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.

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 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 Genesis Community Health and Affiliate as of May 31, 2016 and 2015 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.

Meridian, Idaho
December 14, 2016

GENESIS COMMUNITY HEALTH
STATEMENTS OF FINANCIAL POSITION

May 31

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 67,183	\$ 43,293
Pledges receivable	1,886	0
Grants receivable	0	2,625
Inventory	103,052	76,201
Prepaid expenses	<u>0</u>	<u>3,500</u>
 Total Current Assets	 172,121	 125,619
 PROPERTY AND EQUIPMENT, net	 <u>507,280</u>	 <u>520,683</u>
 Total Assets	 <u>\$ 679,401</u>	 <u>\$ 646,302</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 14,074	\$ 150
Accounts payable	1,562	2,410
Accrued liabilities	14,495	15,874
Current portion of long-term debt	<u>5,785</u>	<u>4,300</u>
 Total Current Liabilities	 35,916	 22,734
 LONG-TERM DEBT, net of current portion	 <u>170,510</u>	 <u>187,127</u>
 Total Liabilities	 206,426	 209,861
 NET ASSETS		
Unrestricted	375,355	409,200
Temporarily restricted	<u>97,620</u>	<u>27,241</u>
 Total Net Assets	 <u>472,975</u>	 <u>436,441</u>
 Total Liabilities and Net Assets	 <u>\$ 679,401</u>	 <u>\$ 646,302</u>

See notes to financial statements.

GENESIS COMMUNITY HEALTH

STATEMENTS OF ACTIVITIES

For the Years Ended May 31

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Foundations and corporate grants	\$ 39,933	\$ 221,642	\$ 261,575
Pledges and contributions	78,369		78,369
Fundraising events	41,780		41,780
Contract revenue	27,971		27,971
In-kind contributions	412,011		412,011
Service income	6,815		6,815
Other	1,757		1,757
Total Revenue	608,636	221,642	830,278
Net assets released from restrictions	151,263	(151,263)	0
Total Revenue and Other Support	759,899	70,379	830,278
EXPENSES			
Program services			
Garden city community clinic	565,327		565,327
Volunteer physicians network	24,845		24,845
International medical missions	46,879		46,879
Community collaboration	40,063		40,063
Total Program Services	677,114	0	677,114
Support services			
Administration	38,100		38,100
Fundraising	78,530		78,530
Total Support Services	116,630	0	116,630
Total Expenses	793,744	0	793,744
Increase (Decrease) in Net Assets	(33,845)	70,379	36,534
NET ASSETS, Beginning of Year	409,200	27,241	436,441
NET ASSETS, End of Year	\$ 375,355	\$ 97,620	\$ 472,975

See notes to financial statements.

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 73,044	\$ 88,146	\$ 161,190
129,452		129,452
69,906		69,906
61,701		61,701
413,329		413,329
5,212		5,212
13		13
<hr/>	<hr/>	<hr/>
752,657	88,146	840,803
79,254	(79,254)	0
<hr/>	<hr/>	<hr/>
831,911	8,892	840,803
555,735		555,735
40,353		40,353
112,083		112,083
<hr/>	<hr/>	<hr/>
708,171	0	708,171
41,152		41,152
70,886		70,886
<hr/>	<hr/>	<hr/>
112,038	0	112,038
<hr/>	<hr/>	<hr/>
820,209	0	820,209
11,702	8,892	20,594
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397,498	18,349	415,847
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<u>\$ 409,200</u>	<u>\$ 27,241</u>	<u>\$ 436,441</u>

GENESIS COMMUNITY HEALTH
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended May 31, 2016

	Garden City Community <u>Clinic</u>	Volunteer Physicians <u>Network</u>	International Medical <u>Missions</u>
Personnel salaries and wages	\$ 446,017	\$ 12,449	\$ 15,347
Payroll taxes	10,404	1,203	1,365
Medications and supplies	48,319		
Direct international			19,087
Occupancy	19,172	3,653	3,184
Professional fees	5,598	1,093	1,185
Depreciation and amortization	12,480	1,643	4,563
Special events			3
Interest expense	214	41	15
Office expenses	7,273	3,863	441
Travel			963
Insurance	3,568	452	257
Conferences and meetings	694	50	
Advertising	9,129	146	97
Other	<u>2,459</u>	<u>252</u>	<u>372</u>
Total Functional Expenses	<u>\$ 565,327</u>	<u>\$ 24,845</u>	<u>\$ 46,879</u>

See notes to financial statements.

<u>Community Collaboration</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$ 30,592	\$ 25,772	\$ 40,019	\$ 570,196
2,645	2,176	3,625	21,418
	240	589	49,148
			19,087
2,068	1,998	4,790	34,865
955	1,454	12,436	22,721
	1,675	2,885	23,246
		9,284	9,287
41	118	59	488
559	589	1,557	14,282
			963
333	224	648	5,482
1,995	84	921	3,744
623	109	259	10,363
<u>252</u>	<u>3,661</u>	<u>1,458</u>	<u>8,454</u>
<u>\$ 40,063</u>	<u>\$ 38,100</u>	<u>\$ 78,530</u>	<u>\$ 793,744</u>

GENESIS COMMUNITY HEALTH
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended May 31, 2015

	Garden City Community Clinic	Volunteer Physicians Network	International Medical Missions
Personnel salaries and wages	\$ 366,695	\$ 22,955	\$ 34,035
Payroll taxes	10,555	2,326	2,693
Medications and supplies	114,722		
Direct international			57,850
Occupancy	13,658	4,497	2,719
Professional fees	6,778	2,587	1,753
Depreciation and amortization	16,417	1,931	1,902
Special events	6		512
Interest expense	5,075	1,620	1,084
Office expenses	4,407	826	463
Travel			7,556
Insurance	4,239	716	479
Other employee benefits	3,201	2,224	
Conferences and meetings	729	342	
Advertising	338	54	106
Other	<u>8,915</u>	<u>275</u>	<u>931</u>
 Total Functional Expenses	 <u>\$ 555,735</u>	 <u>\$ 40,353</u>	 <u>\$ 112,083</u>

See notes to financial statements.

<u>Domestic Development</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$	\$ 22,972	\$ 32,928	\$ 479,585
	1,209	2,558	19,341
			114,722
			57,850
	3,384	3,856	28,114
	6,246	9,646	27,010
	1,600	2,292	24,142
		13,647	14,165
	1,459	1,491	10,729
	2,245	2,588	10,529
			7,556
	645	659	6,738
			5,425
	649	421	2,141
	49	120	667
	694	680	11,495
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\$ 0	\$ 41,152	\$ 70,886	\$ 820,209

GENESIS COMMUNITY HEALTH

STATEMENTS OF CASH FLOWS

For the Years Ended May 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 36,534	\$ 20,594
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	23,246	24,142
Forgiveness of debt	(10,000)	0
Changes in operating assets and liabilities:		
Pledges receivable	(1,886)	393
Grants receivable	2,625	(1,906)
Inventory	(26,851)	(51,171)
Prepaid expenses	3,500	(2,727)
Accounts payable	(848)	1,268
Accrued liabilities	<u>(1,379)</u>	<u>(4,804)</u>
 Net Cash Provided by (Used in) Operating Activities	 24,941	 (14,211)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(9,843)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	13,924	150
Principal payments on long-term debt	<u>(5,132)</u>	<u>(4,174)</u>
 Net Cash Used in Financing Activities	 8,792	 (4,024)
 Net Increase (Decrease) in Cash	 23,890	 (18,235)
 CASH, Beginning of Year	 <u>43,293</u>	 <u>61,528</u>
 CASH, End of Year	 <u>\$ 67,183</u>	 <u>\$ 43,293</u>

See notes to financial statements.

GENESIS COMMUNITY HEALTH
NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Genesis Community Health, Inc. ("Organization") is a non-profit, faith based organization providing medical, physical and spiritual care for the underserved. The Organization operates a medical and dental clinic in Garden City, Idaho. It also works to provide sustainable humanitarian aid internationally by working with in-country partners to develop community based on health solutions.

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

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

Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of grants, pledges, and contributions receivable, the fair value of donated goods and services, and the estimated useful lives of property and equipment. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash

The Organization considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable

Pledges and grants receivable are stated at unpaid balances, less an allowance for uncollectible amounts. Balances are non-interest bearing. The allowance is based on experience. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. There was no allowance at May 31, 2016 and 2015 as all amounts are deemed collectible.

Inventories

Pharmaceutical and medical supplies are either donated or purchased. As of May 31, 2016 and 2015, the value of purchased and donated pharmaceutical and medical supplies has been capitalized as supplied inventory at the lower of cost or market.

Property and Equipment

Property and equipment is stated at cost, or, if donated, at the estimated fair market value at the date of donation. All equipment with a fair market value in excess of \$1,000 and a useful life of at least three years is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty years.

Fair Value

The Organization uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short term, highly liquid nature.

In-kind Contributions

The Organization receives in-kind contributions consisting of equipment and medical supplies. In-kind contributions are recognized as revenue when received and as expenditures when the resources are consumed.

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue

The local projects of the organization (Garden City Community Clinic and Volunteer Physicians Network) provides medical care to patients who do not have third-party coverage. Eligibility is based on household size and income based on 200 percent or less of the Federal Poverty Guidelines. Both GCCC and VPN ask patients to contribute a nominal sum (i.e. \$5-\$45) towards the services they received. Patients are still served even if they are unable to contribute.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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 and grants received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. The Organization does not have any permanently restricted funds.

Contributed Services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. Donated services of approximately \$227,893 and \$254,528 have been reflected at fair value in the financial statements for the years ended May 31, 2016 and 2015, respectively. Donated services consist primarily of pharmacy, medical, and counseling services.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2016 or 2015.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

Subsequent Events

The Organization has evaluated subsequent events through December 14, 2016, which is the date the financial statements were available to be issued.

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE B - PROPERTY AND EQUIPMENT

At May 31, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 85,000	\$ 85,000
Building and improvements	528,758	528,758
Furniture and equipment	<u>125,534</u>	<u>115,691</u>
	739,292	729,449
Less accumulated depreciation	<u>232,012</u>	<u>208,766</u>
 Total Property and Equipment	 <u>\$ 507,280</u>	 <u>\$ 520,683</u>

NOTE C - LONG-TERM DEBT

At May 31, long term debt consisted of the following:

	<u>2016</u>	<u>2015</u>
Note payable to the Ashley's, \$1,350 monthly, including interest at 6.0% per annum, maturing November 2020, with a balloon payment in the amount of \$161,082. The debt was paid off during 2016 through the issuance of new debt below.	\$ 0	\$ 191,427
Note payable to Northwest Christian Credit Union, \$1,098 monthly, including interest at 4.25% per annum, maturing March 2031 with a balloon payment in the amount of \$62,056. The note is secured by the Garden City Community Clinic property.	<u>176,295</u>	<u>0</u>
	176,295	191,427
Less current portion	<u>5,785</u>	<u>4,300</u>
	<u>\$ 170,510</u>	<u>\$ 187,127</u>

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE C - LONG-TERM DEBT (Continued)

Maturities of long-term debt as of May 31, 2016 are as follows:

2017		\$	5,792
2018			6,043
2019			6,305
2020			6,561
2021			6,793
Thereafter			<u>144,801</u>
			<u>\$ 176,295</u>

Cash paid during the year for interest for the years ended May 31, 2016 and 2015 was \$11,156 and \$10,729, respectively.

Noncash financing consisted of \$10,000 of debt forgiveness for the year ended May 31, 2016.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

The Organization had temporarily restricted net assets for the Garden City Community Clinic as noted below as of the years ended May 31:

		<u>2016</u>		<u>2015</u>
Garden City community clinic programs	\$	41,605	\$	20,180
Supplies, equipment and technology		56,015		0
International		<u>0</u>		<u>7,061</u>
Total	\$	97,620	\$	27,241

GENESIS COMMUNITY HEALTH

NOTES TO FINANCIAL STATEMENTS (Continued)

May 31, 2016 and 2015

NOTE E - OPERATING LEASES

The Organization has a five year operating lease expiring May 2017. The lease requires minimum monthly payments of \$240. Rent expense under the operating lease was \$2,874 for the years ended May 31, 2016 and 2015. Future minimum lease payments for the year ended May 31, 2016 are as follows:

2017	\$ <u>2,874</u>
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NOTE F - RELATED PARTY TRANSACTIONS

The Organization has included the value of professional services donated by board members in the financial statements. The value of these services, as determined by management, was \$44,216 and \$70,334 for the years ended May 31, 2016 and 2015, respectively.

The Organization also accepts donations from board members, employees, and their families. The Organization received donations totaling \$22,589 and \$31,454 during the years ended May 31, 2016 and 2015, respectively.

