



# GRACE MEDICAL HOME, INC.

## FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014





## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Grace Medical Home, Inc.  
Orlando, Florida

We have audited the accompanying financial statements of Grace Medical Home, Inc. ("the Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 audits 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 Organization'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 Organization'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 Grace Medical Home, Inc. as of December 31, 2015 and 2014, 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 blue ink that reads "Batts Morrison Wales &amp; Lee, P.A." in a cursive script.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida  
April 6, 2016

**GRACE MEDICAL HOME, INC.**  
STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	December 31,	
	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,111,911	\$ 1,180,268
Cash designated for long-term purposes	—	403,024
Certificate of deposit	—	252,341
Property and equipment, net	156,026	191,094
Other assets	14,791	8,259
<b>Total assets</b>	<b>\$ 1,282,728</b>	<b>\$ 2,034,986</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 60,770	\$ 66,352
Retirement plan contribution payable	8,132	8,075
<b>Total liabilities</b>	<b>68,902</b>	<b>74,427</b>

**NET ASSETS**

Unrestricted		
Undesignated	1,179,515	1,412,240
Board designated	—	403,024
Total unrestricted	1,179,515	1,815,264
Temporarily restricted	34,311	145,295
<b>Total net assets</b>	<b>1,213,826</b>	<b>1,960,559</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,282,728</b>	<b>\$ 2,034,986</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**GRACE MEDICAL HOME, INC.**  
STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2015			For The Year Ended December 31, 2014
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Special event revenue	\$ 271,553	\$ —	\$ 271,553	\$ 193,046
Direct event expenses	(91,819)	—	(91,819)	(52,916)
Net special event revenue	179,734	—	179,734	140,130
Unrestricted contributions	2,046,349	—	2,046,349	1,863,268
Temporarily restricted contributions	—	20,380	20,380	14,000
Unrestricted grant revenue	213,112	—	213,112	127,411
Temporarily restricted grant revenue	—	173,924	173,924	393,883
Facility fee and other revenue	77,067	—	77,067	96,255
Net assets released from restrictions	305,288	(305,288)	—	—
<b>Total public support and revenue and net assets released from restrictions</b>	<b>2,821,550</b>	<b>(110,984)</b>	<b>2,710,566</b>	<b>2,634,947</b>
<b>EXPENSES</b>				
Program activities				
Medical services for the uninsured	2,352,144	—	2,352,144	2,322,790
Supporting activities				
General and administrative	154,388	—	154,388	151,101
Fundraising	175,767	—	175,767	120,558
Total supporting activities	330,155	—	330,155	271,659
Grants to the Foundation	775,000	—	775,000	—
<b>Total expenses</b>	<b>3,457,299</b>	<b>—</b>	<b>3,457,299</b>	<b>2,594,449</b>
<b>Change in unrestricted net assets</b>	<b>(635,749)</b>	<b>—</b>	<b>(635,749)</b>	<b>(28,099)</b>
<b>Change in temporarily restricted net assets</b>	<b>—</b>	<b>(110,984)</b>	<b>(110,984)</b>	<b>68,597</b>
<b>CHANGE IN NET ASSETS</b>	<b>(635,749)</b>	<b>(110,984)</b>	<b>(746,733)</b>	<b>40,498</b>
<b>NET ASSETS - Beginning of year</b>	<b>1,815,264</b>	<b>145,295</b>	<b>1,960,559</b>	<b>1,920,061</b>
<b>NET ASSETS - End of year</b>	<b>\$ 1,179,515</b>	<b>\$ 34,311</b>	<b>\$ 1,213,826</b>	<b>\$ 1,960,559</b>

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**GRACE MEDICAL HOME, INC.**  
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2015	2014
<b>OPERATING CASH FLOWS</b>		
Cash received from contributors and grantors	\$ 1,382,038	\$ 1,422,982
Cash received from special events	271,553	193,046
Facility fees received and other cash receipts	70,535	90,861
Cash paid for operating activities and costs	(1,643,425)	(1,592,410)
<b>Net operating cash flows</b>	<b>80,701</b>	<b>114,479</b>
<b>INVESTING CASH FLOWS</b>		
Net release of assets designated for long-term purposes	403,024	—
Proceeds from maturity of certificate of deposit	252,341	9,019
Grants to the Foundation	(775,000)	—
Purchases of and improvements to property and equipment, net	(29,423)	(17,741)
<b>Net investing cash flows</b>	<b>(149,058)</b>	<b>(8,722)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(68,357)</b>	<b>105,757</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,180,268</b>	<b>1,074,511</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,111,911</b>	<b>\$ 1,180,268</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ (746,733)	\$ 40,498
Adjustments to reconcile change in net assets to net operating cash flows		
Grants to the Foundation	775,000	—
Depreciation and amortization	70,635	84,929
Noncash contributions	(6,144)	(8,301)
Change in other assets	(6,532)	(5,394)
Change in accounts payable and accrued expenses	(5,582)	(1,496)
Change in retirement plan contribution payable	57	4,243
<b>Net operating cash flows</b>	<b>\$ 80,701</b>	<b>\$ 114,479</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**GRACE MEDICAL HOME, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE A – NATURE OF ACTIVITIES**

Grace Medical Home, Inc. (“the Organization”) is a not-for-profit Florida corporation formed to operate medical facilities and provide medical care for the working uninsured, in a manner that reflects the love of Jesus Christ by providing holistic, affordable, comprehensive, and excellent health care services. Such services may include medical care, dental care, chronic disease management, counseling, pharmaceutical services, laboratory services, physical and occupational therapies, and wellness services. The clinic is located in Orlando, Florida.

Grace Medical Home Foundation, Inc. (“the Foundation”) is a not-for-profit Florida corporation formed in 2014 to provide supporting services to the Organization. The Foundation is supervised or controlled in connection with the Organization in that a majority of the members of the Foundation’s Board of Directors are required to be members of GMH’s Board of Directors. The accounts of the Foundation are not combined with those of the Organization for purposes of these financial statements. The Foundation accomplishes its purpose by pursuing and administering both traditional donations and non-traditional donations such as real estate, charitable gift annuities, charitable remainder trusts, endowment funds, and other types of planned giving vehicles.

The Boards of Directors of the Organization and the Foundation are appointed by Grace Medical Nominating Trust (“the Trust”), a trust solely established to protect the not-for-profit mission of the Organization. The Trust has no financial activity of its own.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Restricted and unrestricted revenue**

Contributions and grants received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as “net assets released from restrictions.”

**Donated services**

Various physicians, nurses, and medical support personnel donate services to the Organization. The estimated value of such services is based on the approximate salary cost of the volunteers and not on standard billable rates and is included in “unrestricted contributions,” and “medical services for the uninsured,” and “general and administrative” expenses in the accompanying statements of activities.

**Facility fee revenue**

The Organization charges a nominal fee to patients which is used to subsidize the cost associated with operating the Organization’s facility.

**Cash and cash equivalents**

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

**Cash designated for long-term purposes**

Cash designated for long-term purposes was designated for the future purchase of certain real property.

**Certificate of deposit**

The Organization’s certificate of deposit had an original maturity of twelve months and bore interest at 0.40% per annum.

**Property and equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. The Organization uses the straight-line method of depreciating and amortizing property and equipment over the expected useful lives of the related assets.

**GRACE MEDICAL HOME, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Board designated net assets**

Net assets were designated by the Board for the future purchase of certain real property.

**Income taxes**

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Organization has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

**Use of estimates**

Management 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 related to the useful lives of property and equipment, and the value of donated services, medicine, and medical supplies. Actual results could differ from the estimates.

**Subsequent events**

The Organization has evaluated for possible financial reporting and disclosure subsequent events through April 6, 2016, the date as of which the financial statements were available to be issued.

**NOTE C – CONCENTRATIONS**

The Organization maintains its cash, cash equivalents, and certificate of deposit in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash, cash equivalents, and the certificate of deposit.

As discussed in Note F, volunteers donate significant amounts of time to the Organization to carry out program services and provide administrative support. The Organization hopes and expects to continue its relationship with these volunteers and would be impacted financially if support was to diminish significantly or cease.

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

Category	December 31,	
	2015	2014
Furniture and equipment	\$ 309,554	\$ 245,537
Computer equipment and software	131,897	166,673
Leasehold improvements	102,688	102,688
Total	544,139	514,898
Less: Accumulated depreciation and amortization	(388,113)	(323,804)
Net property and equipment	\$ 156,026	\$ 191,094

Depreciation and amortization expense amounted to \$70,635 and \$84,929 during 2015 and 2014, respectively.

**GRACE MEDICAL HOME, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes during 2015:

	<u>Balance</u> <u>January 1</u>	<u>Grants and</u> <u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Specialty medical services	\$ —	\$ 26,750	\$ (12,218)	\$ 14,532
Other	20,075	20,000	(27,411)	12,664
Diabetes outreach program	5,150	11,075	(12,472)	3,753
Medical equipment and supplies	41,003	10,100	(48,038)	3,065
Technology and non-clinical needs	33,691	118,024	(151,418)	297
Mental health and spiritual care	45,376	—	(45,376)	—
Health provider salaries	<u>—</u>	<u>8,355</u>	<u>(8,355)</u>	<u>—</u>
Total	<u>\$ 145,295</u>	<u>\$ 194,304</u>	<u>\$ (305,288)</u>	<u>\$ 34,311</u>

Net assets were temporarily restricted for the following purposes during 2014:

	<u>Balance</u> <u>January 1</u>	<u>Grants and</u> <u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Mental health and spiritual care	\$ —	\$ 145,000	\$ (99,624)	\$ 45,376
Medical equipment and supplies	—	54,000	(12,997)	41,003
Technology and non-clinical needs	—	101,012	(67,321)	33,691
Other	12,892	42,327	(35,144)	20,075
Diabetes outreach program	10,650	65,544	(71,044)	5,150
Health provider salaries	40,569	—	(40,569)	—
Pediatric care	<u>12,587</u>	<u>—</u>	<u>(12,587)</u>	<u>—</u>
Total	<u>\$ 76,698</u>	<u>\$ 407,883</u>	<u>\$ (339,286)</u>	<u>\$ 145,295</u>

**NOTE F - CONTRIBUTED SERVICES**

Various physicians, nurses, and medical support personnel donate services to the Organization. Contributed services meeting the criteria for revenue recognition in conformity with accounting principles generally accepted in the United States amounted to approximately \$199,000 and \$267,000 for 2015 and 2014, respectively, and are included in “unrestricted contributions” in the accompanying statements of activities. Of this amount, approximately \$172,000 and \$27,000 is recognized as “medical services for the uninsured” and “general and administrative” expense, respectively, during 2015. Approximately \$241,000 and \$26,000 is recognized as “medical services for the uninsured” and “general and administrative” expense, respectively, during 2014. Volunteer services during 2015 and 2014 not meeting the criteria for recognition in conformity with accounting principles generally accepted in the United States amounted to approximately \$162,000 and \$143,000, respectively (unaudited). The estimated value of such services is not reflected in the accompanying financial statements.

**NOTE G - NONCASH CONTRIBUTIONS**

During 2015 and 2014, the Organization received approximately \$858,000 and \$697,000, respectively, of donated medicine and medical supplies for use in operating its clinic. These noncash contributions are recorded at estimated fair market value and recognized as “unrestricted contributions” revenue and “medical services for the uninsured” expense in the accompanying statements of activities.



**GRACE MEDICAL HOME, INC.**  
NOTES TO FINANCIAL STATEMENTS

**NOTE H – RETIREMENT PLAN**

The Organization participates in a Section 403(b) defined contribution retirement plan (“the Plan”) which is available to eligible employees as defined in the Plan document. Employees may make elective deferral contributions to the Plan. The Organization makes a discretionary contribution to the Plan, as approved by the Board of Directors. Employees vest in employer contributions after completing five years of credited service. The Organization accrued a contribution of \$8,132 and \$8,075 to the Plan during 2015 and 2014, respectively.

**NOTE I – OPERATING LEASES**

The Organization is obligated under two operating lease agreements for its clinic offices. One lease agreement is with an entity owned by a Trustee of the Trust. The terms of this lease are favorable to the Organization, and the lease includes a \$1,450,000 purchase option (plus related costs) through January 2017. The second lease agreement is for property owned by an individual who is both a member of the Organization’s Board of Directors and a Trustee of the Trust. During each of the years 2015 and 2014, the Organization made rent payments in the approximate amount of \$106,000 related to these leasing arrangements. Future minimal rental payments under the leases described above are approximately as follows:

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 109,000
2017	<u>9,000</u>
Total	<u>\$ 118,000</u>