



# GRACE MEDICAL HOME, INC. AND AFFILIATES

## COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





## REPORT OF INDEPENDENT AUDITOR

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

We have audited the accompanying combined financial statements of Grace Medical Home, Inc. and Affiliates (collectively referred to herein as “the Organization”), which consist of the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

### ***Management’s Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Grace Medical Home, Inc. and Affiliates as of December 31, 2019 and 2018, the combined changes in its net assets, and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining statement of financial position as of December 31, 2019 and the related supplemental combining statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Batts Morrison Wales & Lee, P.A.*

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida  
June 23, 2020

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,350,355	\$ 1,725,450
Cash restricted for long-term purposes	2,541	879,719
Inventories	2,000,338	2,435,048
Unconditional promises to give	1,049,652	1,983,723
Property and equipment, net	5,686,884	3,555,545
Other assets	16,704	11,066
<b>Total assets</b>	<b>\$ 10,106,474</b>	<b>\$ 10,590,551</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 70,357	\$ 96,901
Deferred revenue	65,670	44,600
<b>Total liabilities</b>	<b>136,027</b>	<b>141,501</b>
<b>NET ASSETS</b>		
Without donor restrictions	8,828,751	7,178,646
With donor restrictions	1,141,696	3,270,404
<b>Total net assets</b>	<b>9,970,447</b>	<b>10,449,050</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,106,474</b>	<b>\$ 10,590,551</b>

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF ACTIVITIES**

	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018
	Without donor restrictions	With donor restrictions	Total	
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Special event revenue	\$ 223,784	\$ —	\$ 223,784	\$ 320,379
Direct event expenses	(64,495)	—	(64,495)	(103,234)
Net special event revenue	159,289	—	159,289	217,145
Noncash contributions	2,011,989	—	2,011,989	2,295,346
Contributions without donor restrictions	1,674,524	—	1,674,524	1,971,234
Grant revenue with donor restrictions	—	736,875	736,875	1,754,241
Facility fee and other revenue	104,000	—	104,000	87,221
Contributions with donor restrictions	—	100,000	100,000	3,888,400
Net assets released from restrictions	2,965,583	(2,965,583)	—	—
<b>Total public support and revenue and net assets released from restrictions</b>	<b>6,915,385</b>	<b>(2,128,708)</b>	<b>4,786,677</b>	<b>10,213,587</b>
<b>EXPENSES</b>				
Program activities				
Medical services for the uninsured	4,773,496	—	4,773,496	3,329,243
Supporting activities				
General and administrative	264,690	—	264,690	334,655
Fundraising	227,094	—	227,094	221,275
Total supporting activities	491,784	—	491,784	555,930
<b>Total expenses</b>	<b>5,265,280</b>	<b>—</b>	<b>5,265,280</b>	<b>3,885,173</b>
<b>Change in net assets without donor restrictions</b>	<b>1,650,105</b>	<b>—</b>	<b>1,650,105</b>	<b>3,286,466</b>
<b>Change in net assets with donor restrictions</b>	<b>—</b>	<b>(2,128,708)</b>	<b>(2,128,708)</b>	<b>3,041,948</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,650,105</b>	<b>(2,128,708)</b>	<b>(478,603)</b>	<b>6,328,414</b>
<b>NET ASSETS - Beginning of year</b>	<b>7,178,646</b>	<b>3,270,404</b>	<b>10,449,050</b>	<b>4,120,636</b>
<b>NET ASSETS - End of year</b>	<b>\$ 8,828,751</b>	<b>\$ 1,141,696</b>	<b>\$ 9,970,447</b>	<b>\$ 10,449,050</b>

The Accompanying Notes are an Integral  
Part of These Combined Financial Statements

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF CASH FLOWS**

	For the Years Ended	
	December 31,	
	2019	2018
<b>OPERATING CASH FLOWS</b>		
Cash received from contributors and grantors	\$ 3,294,726	\$ 4,775,977
Cash received related to special events	244,854	364,979
Rental income, facility fees, and other cash receipts	98,362	86,138
Cash paid for operating activities and costs	(2,751,609)	(2,332,371)
Interest paid	—	(50,521)
<b>Net operating cash flows</b>	<b>886,333</b>	<b>2,844,202</b>
<b>INVESTING CASH FLOWS</b>		
Net purchases of and improvements to property and equipment	(2,295,100)	(716,593)
<b>Net investing cash flows</b>	<b>(2,295,100)</b>	<b>(716,593)</b>
<b>FINANCING CASH FLOWS</b>		
Repayments of note payable	—	(2,344,550)
Proceeds from contributions restricted for long-term purposes	156,494	990,649
<b>Net financing cash flows</b>	<b>156,494</b>	<b>(1,353,901)</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(1,252,273)</b>	<b>773,708</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year</b>	<b>2,605,169</b>	<b>1,831,461</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year</b>	<b>\$ 1,352,896</b>	<b>\$ 2,605,169</b>
<b>REPORTED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION</b>		
<b>AS FOLLOWS</b>		
Cash and cash equivalents	\$ 1,350,355	\$ 1,725,450
Cash restricted for long-term purposes	2,541	879,719
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 1,352,896</b>	<b>\$ 2,605,169</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING</b>		
<b>CASH FLOWS</b>		
Change in net assets	\$ (478,603)	\$ 6,328,414
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation and amortization	163,761	111,059
Contributions restricted for long-term purposes	(156,494)	(990,649)
Change in inventories	434,710	(816,435)
Change in unconditional promises to give	934,071	(1,847,249)
Change in other assets	(5,638)	(1,083)
Change in deferred revenue	21,070	44,600
Change in accounts payable and accrued expenses	(26,544)	15,545
<b>Net operating cash flows</b>	<b>\$ 886,333</b>	<b>\$ 2,844,202</b>

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**GRACE MEDICAL HOME, INC. AND AFFILIATES**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2019

	Program activities	Supporting activities			Total expenses
		General and administrative	Fundraising	Total supporting activities	
Salaries and benefits	\$ 1,777,752	\$ 103,622	\$ 179,761	\$ 283,383	\$ 2,061,135
Medical services	1,995,824	—	—	—	1,995,824
Professional and contracted services	519,427	33,544	600	34,144	553,571
Depreciation and amortization	90,335	68,927	4,499	73,426	163,761
Technology and related fees	100,750	7,277	7,414	14,691	115,441
Rent	67,679	4,621	1,920	6,541	74,220
Utilities	61,140	4,850	2,581	7,431	68,571
Other	29,983	27,696	3,546	31,242	61,225
Repairs and maintenance	43,634	2,883	1,731	4,614	48,248
Insurance	29,333	5,031	1,218	6,249	35,582
Staff and volunteer development	24,156	3,096	7,060	10,156	34,312
Office supplies	26,034	2,757	1,836	4,593	30,627
Merchant processor and bank fees	2,419	273	13,012	13,285	15,704
Development	5,030	113	1,916	2,029	7,059
<b>Total</b>	<b>\$ 4,773,496</b>	<b>\$ 264,690</b>	<b>\$ 227,094</b>	<b>\$ 491,784</b>	<b>5,265,280</b>
				<b>Direct event expenses</b>	<b>64,495</b>
				<b>Total expenses (including direct event expenses)</b>	<b>\$ 5,329,775</b>

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**GRACE MEDICAL HOME, INC. AND AFFILIATES**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2018

	Program activities	Supporting activities			Total expenses
		General and administrative	Fundraising	Total supporting activities	
Salaries and benefits	\$ 1,500,363	\$ 100,306	\$ 179,796	\$ 280,102	\$ 1,780,465
Medical services	1,101,937	—	—	—	1,101,937
Professional and contracted services	396,818	39,356	1,200	40,556	437,374
Depreciation and amortization	35,519	74,768	772	75,540	111,059
Rent	94,562	6,501	2,888	9,389	103,951
Technology and related fees	47,683	4,099	5,211	9,310	56,993
Other	19,751	32,931	1,658	34,589	54,340
Interest	—	50,521	—	50,521	50,521
Utilities	43,967	3,052	1,736	4,788	48,755
Repairs and maintenance	29,966	4,709	689	5,398	35,364
Insurance	20,877	12,187	921	13,108	33,985
Staff and volunteer development	22,584	4,506	1,094	5,600	28,184
Office supplies	12,818	1,435	5,843	7,278	20,096
Merchant processor and bank fees	2,152	271	13,851	14,122	16,274
Development	246	13	5,616	5,629	5,875
<b>Total</b>	<b>\$ 3,329,243</b>	<b>\$ 334,655</b>	<b>\$ 221,275</b>	<b>\$ 555,930</b>	<b>3,885,173</b>
				<b>Direct event expenses</b>	<b>103,234</b>
				<b>Total expenses (including direct event expenses)</b>	<b>\$ 3,988,407</b>

The Accompanying Notes are an Integral  
Part of These Combined Financial Statements



**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE A – NATURE OF ACTIVITIES AND BASIS OF COMBINATION**

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 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 the Organization’s Board of Directors. 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.

GMH Property Holdings, Inc. (“Properties”) is a not-for-profit Florida corporation formed to hold and manage real property in support of the Organization. Properties is supervised or controlled in connection with the Organization in that a majority of the members of Properties’ Board of Directors are required to be members of the Organization’s Board of Directors.

The Boards of Directors of the Organization, the Foundation, and Properties 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.

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the combined financial statements of the Organization include the accounts of the Foundation and Properties, which are separate legal entities. All significant inter-organization accounts and transactions have been eliminated in combination.

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

**Revenue recognition**

The Organization recognizes cash contributions and cash grants as revenue when the contributions are received by the Organization. Cash contributions or grants received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined 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 “noncash contributions,” “medical services for the uninsured,” and “general and administrative” expenses in the accompanying combined 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.

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

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

**Cash restricted for long-term purposes**

Cash restricted for long-term purposes consists of funds restricted by donors for capital projects and the purchase of medical equipment.

**Inventories**

Inventories consist of donated medications and medical supplies which were not yet distributed to beneficiaries. Inventories are recorded at estimated fair value (at wholesale) on the date of the gift.

**Unconditional promises to give**

Unconditional promises to give are recognized as revenue and assets in the period in which the related promise is made. Unconditional promises to give are stated net of an allowance for doubtful accounts, if any. The Organization estimates the allowance for doubtful accounts based on an analysis of specific accounts, taking into consideration the age of the past due account and an assessment of the ability to pay. Accounts are considered past due when payments are not made in accordance with specified terms. Accounts are written off upon such time management determines the amounts are uncollectible.

**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.

**Deferred revenue**

Deferred revenue consists of certain fees received in advance of their recognition as revenue.

**Net assets**

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

**Functional allocation of expenses**

The combined statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

**Income taxes**

The Organization, Foundation, and Properties are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization, Foundation, and Properties are further classified as public charities and not private foundations for federal tax purposes. Neither the Organization or Foundation have incurred unrelated business income taxes. Income taxes on unrelated business income generated by Properties are immaterial and are recognized as expenses when paid. As a result, no income tax provision or liability has been provided for in the accompanying combined financial statements.

**Reclassifications**

Certain amounts included in the 2018 combined financial statements have been reclassified to conform to classifications adopted during 2019. The reclassifications had no material effect on the accompanying combined financial statements.

**New accounting pronouncement**

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash is effective for the Organization’s combined financial statements for the year ended December 31, 2019. The ASU requires that restricted cash amounts be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the combined statement of cash flows. The adoption of the ASU had no effect on the Organization’s net assets

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
 NOTES TO COMBINED FINANCIAL STATEMENTS

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

**New accounting pronouncement (Continued)**

as of January 1, 2018 or the change in net assets presented for 2018. As required by applicable guidance, the Organization has retrospectively applied the ASU’s provisions to the 2018 combined statement of cash flows.

**Use of estimates**

Management uses estimates and assumptions in preparing combined 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 combined financial statements include those related to the fair value of inventories, the useful lives of property and equipment, and the value of donated services, medications, and medical supplies. Actual results could differ from the estimates.

**NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure within one year of the date of the combined statements of financial position are as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,350,355	\$ 1,725,450
Cash restricted for long-term purposes	2,541	879,719
Unconditional promises to give due within one year	689,652	993,071
Total financial assets available	2,042,548	3,598,240
Less:		
Amounts unavailable for general expenditure within one year, due to donor restrictions limiting use to capital projects and purchase of medical equipment	(2,541)	(879,719)
Net financial assets available within one year	\$ 2,004,007	\$ 2,718,521

The Organization is primarily supported by contributions and grants. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Certain of the Organization’s donor-restricted net assets are available for general expenditure within one year of December 31, 2019 and 2018, because the restrictions on the net assets are expected to be met by performing the normal activities of the Organization’s programs in the coming year. Management of the Organization believes the Organization has sufficient resources available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

**NOTE D – CONCENTRATIONS**

The Organization maintains its cash and cash equivalents 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 and cash equivalents.

As discussed in Note I, the Organization receives significant contributions of donated medications and medical supplies for use in operating its clinic, primarily from two donors. The Organization received approximately 21% and 17% of its total revenue from these two donors during 2019 and 2018, respectively.

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE D – CONCENTRATIONS (Continued)**

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 donors and volunteers and would be impacted financially if support was to diminish significantly or cease.

**NOTE E – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are subject to donor restrictions according to the “Grace Campaign”, which consists of building-related goals and funding the general operating budget. Unconditional promises to give are due as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Less than one year	\$ 689,652	\$ 993,071
One to five years	<u>360,000</u>	<u>990,652</u>
Total	<u>\$ 1,049,652</u>	<u>\$ 1,983,723</u>

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 700,209	\$ 700,209
Building and building improvements	4,395,098	2,173,516
Furniture and equipment	908,566	349,369
Computer equipment and software	71,354	133,397
Construction in progress	—	705,499
Leasehold improvements	<u>—</u>	<u>103,322</u>
Total	6,075,227	4,165,312
Less: Accumulated depreciation and amortization	<u>(388,343)</u>	<u>(609,767)</u>
Net property and equipment	<u>\$ 5,686,884</u>	<u>\$ 3,555,545</u>

Depreciation and amortization expense amounted to \$163,761 and \$111,059 during 2019 and 2018, respectively.

**NOTE G – NOTE PAYABLE**

During a previous year, Properties entered into a \$2,400,000 note payable agreement (“the note”) with a financial institution. The note was payable in monthly installments of principal and interest at 4.75% per annum following a fifteen-year amortization schedule. The note was secured by mortgage and security agreement and was schedule to mature in June 2024. The outstanding note payable was paid in full during September 2018.

Total interest expense for 2018 amounted to \$50,521.

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE H – NET ASSETS WITH DONOR RESTRICTIONS**

Activity in net assets with donor restrictions during 2019 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Grants and</u> <u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Unconditional promises to give	\$ 1,983,723	\$ 100,000	\$ (1,034,071)	\$ 1,049,652
Health provider salaries	57,188	348,425	(357,614)	47,999
Community outreach program	23,022	91,195	(92,167)	22,050
Specialty medical services	250,000	15,000	(245,728)	19,272
Medical equipment and supplies	163,702	156,494	(317,655)	2,541
Other	247	—	(65)	182
Building renovation	716,017	—	(716,017)	—
Technology and non-clinical needs	76,505	125,761	(202,266)	—
Total	<u>\$ 3,270,404</u>	<u>\$ 836,875</u>	<u>\$ (2,965,583)</u>	<u>\$ 1,141,696</u>

Activity in net assets with donor restrictions during 2018 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Grants and</u> <u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Unconditional promises to give	\$ 136,474	\$ 3,888,400	\$ (2,041,151)	\$ 1,983,723
Building renovation	—	800,000	(83,983)	716,017
Specialty medical services	8,074	250,000	(8,074)	250,000
Medical equipment and supplies	19,294	190,649	(46,241)	163,702
Technology and non-clinical needs	21,939	113,641	(59,075)	76,505
Health provider salaries	33,718	275,482	(252,012)	57,188
Community outreach program	6,638	124,469	(108,085)	23,022
Other	2,319	—	(2,072)	247
Total	<u>\$ 228,456</u>	<u>\$ 5,642,641</u>	<u>\$ (2,600,693)</u>	<u>\$ 3,270,404</u>

**NOTE I – NONCASH CONTRIBUTIONS**

During 2019 and 2018, the Organization received approximately \$1,476,000 and \$1,899,000, respectively, of donated medications and medical supplies for use in operating its clinic. These noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to the end user or the date upon which the gifts expire. Pharmaceutical noncash contributions are generally valued using “wholesale acquisition cost” when available. The Organization considers the valuation practices used for donated medications and medical supplies to be consistent with industry standards.

Various physicians, nurses, and medical support personnel also donate services to the Organization. Contributed services meeting the criteria for revenue recognition in conformity with U.S. GAAP amounted to approximately \$530,000 and \$396,000 in 2019 and 2018, and are included in “noncash contributions” in the accompanying combined statements of activities.

During 2019, approximately \$504,000 and \$26,000 are recognized as “medical services for the uninsured” and “general and administrative” expenses, respectively. Volunteer services during 2019 not meeting the criteria for recognition in conformity with U.S. GAAP amounted to approximately \$146,000 (unaudited). The estimated value of such services is not reflected in the accompanying combined financial statements.

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE I – NONCASH CONTRIBUTIONS (Continued)**

During 2018, approximately \$370,000 and \$26,000 are recognized as “medical services for the uninsured” and “general and administrative” expenses, respectively. Volunteer services during 2018 not meeting the criteria for recognition in conformity with U.S. GAAP amounted to approximately \$11,000 (unaudited). The estimated value of such services is not reflected in the accompanying combined financial statements.

**NOTE J – 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 approximately \$15,000 and \$12,000 to the Plan during 2019 and 2018, respectively.

**NOTE K – SUBSEQUENT EVENTS**

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law and reducing overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending December 31, 2020.

Subsequent to year-end, the Organization obtained a Paycheck Protection Program loan in the approximate amount of \$372,000. Pursuant to federal law, the loan amount may be forgiven in whole or in part based on the nature of the Organization’s expenditures during an applicable period. Management expects that all or a significant portion of the loan will be forgiven. The Organization will recognize the amount forgiven as revenue when the conditions for forgiveness are met.

The Organization has evaluated for possible financial reporting and disclosure subsequent events through June 23, 2020, the date as of which the combined financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULES**

**GRACE MEDICAL HOME, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

**ASSETS**

	Grace Medical Home, Inc.	Grace Medical Home Foundation, Inc.	GMH Property Holdings, Inc.	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 795,514	\$ 501,560	\$ 53,281	\$ —	\$ 1,350,355
Cash restricted for long-term purposes	2,541	—	—	—	2,541
Inventories	2,000,338	—	—	—	2,000,338
Unconditional promises to give	1,049,652	—	—	—	1,049,652
Property and equipment, net	51,788	—	5,635,096	—	5,686,884
Other assets	145,683	—	—	(128,979)	16,704
<b>Total assets</b>	<b>\$ 4,045,516</b>	<b>\$ 501,560</b>	<b>\$ 5,688,377</b>	<b>\$ (128,979)</b>	<b>\$ 10,106,474</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 70,181	\$ 52,598	\$ 76,557	\$ (128,979)	\$ 70,357
Deferred revenue	65,670	—	—	—	65,670
<b>Total liabilities</b>	<b>135,851</b>	<b>52,598</b>	<b>76,557</b>	<b>(128,979)</b>	<b>136,027</b>
<b>NET ASSETS</b>					
Without donor restrictions	2,767,969	448,962	5,611,820	—	8,828,751
With donor restrictions	1,141,696	—	—	—	1,141,696
<b>Total net assets</b>	<b>3,909,665</b>	<b>448,962</b>	<b>5,611,820</b>	<b>—</b>	<b>9,970,447</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,045,516</b>	<b>\$ 501,560</b>	<b>\$ 5,688,377</b>	<b>\$ (128,979)</b>	<b>\$ 10,106,474</b>

See Accompanying Report of Independent Auditor



# GRACE MEDICAL HOME, INC. AND AFFILIATES

## COMBINING STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2019

	Grace Medical Home, Inc.	Grace Medical Home Foundation, Inc.	GMH Property Holdings, Inc.	Eliminations	Total
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
Public support and operating revenue					
Special event revenue	\$ 223,784	\$ —	\$ —	\$ —	\$ 223,784
Direct event expenses	(64,495)	—	—	—	(64,495)
Net special event revenue	159,289	—	—	—	159,289
Noncash contributions	2,011,989	—	—	—	2,011,989
Contributions	1,674,524	—	—	—	1,674,524
Facility fee and other revenue	150,814	5,846	3,788	(56,448)	104,000
Grant revenue	75,000	210,000	2,195,000	(2,480,000)	—
Total public support and operating revenue	4,071,616	215,846	2,198,788	(2,536,448)	3,949,802
Net assets released from time and use restrictions	2,965,583	—	—	—	2,965,583
Total public support and operating revenue and net assets released from time and use restrictions	7,037,199	215,846	2,198,788	(2,536,448)	6,915,385
Expenses					
Program activities	4,697,126	16,221	92,325	(32,176)	4,773,496
Supporting activities					
General and administrative	190,215	11,423	79,986	(16,934)	264,690
Fundraising	222,331	3,700	8,401	(7,338)	227,094
Total supporting activities	412,546	15,123	88,387	(24,272)	491,784
Intercompany grants	1,955,000	525,000	—	(2,480,000)	—
Total expenses	7,064,672	556,344	180,712	(2,536,448)	5,265,280
Change in net assets without donor restrictions	(27,473)	(340,498)	2,018,076	—	1,650,105
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>					
Grant revenue	736,875	—	—	—	736,875
Contributions	100,000	—	—	—	100,000
Net assets released from time and use restrictions	(2,965,583)	—	—	—	(2,965,583)
Change in net assets with donor restrictions	(2,128,708)	—	—	—	(2,128,708)
<b>CHANGE IN NET ASSETS</b>	(2,156,181)	(340,498)	2,018,076	—	(478,603)
<b>NET ASSETS - Beginning of year</b>	6,065,846	789,460	3,593,744	—	10,449,050
<b>NET ASSETS - End of year</b>	\$ 3,909,665	\$ 448,962	\$ 5,611,820	\$ —	\$ 9,970,447

See Accompanying Report of Independent Auditor