

HURTT FAMILY HEALTH CLINIC, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

TABLE OF CONTENTS

Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedules of Functional Expenses	11



INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Hurtt Family Health Clinic, Inc.
Tustin, California

We have audited the accompanying statements of financial position of Hurtt Family Health Clinic, Inc. as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hurtt Family Health Clinic, Inc., as of September 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Functional Expenses are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cangelosi & Holmes, Inc.

January 11, 2010

HURTT FAMILY HEALTH CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 457,625	\$ 172,331
Grants and accounts receivable, less allowance for doubtful receivables	190,812	177,555
Inventory-medications	102,423	168,593
Property and equipment	129,484	29,541
Total assets	\$ 880,344	\$ 548,020
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 66,481	\$ 16,620
Deferred revenue	50,000	0
Total liabilities	116,481	16,620
Net assets		
Unrestricted	763,863	531,400
Total liabilities and net assets	\$ 880,344	\$ 548,020

See accompanying notes to financial statements

HURTT FAMILY HEALTH CLINIC, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenue		
Grants and contributions	\$ 1,163,297	\$ 691,775
In-kind contributions	619,832	706,391
Patient services	415,156	416,130
	2,198,285	1,814,296
Expenses		
Program services	1,808,032	1,459,393
Management and general	101,790	115,639
Fund-raising	56,000	13,312
Total expenses	1,965,822	1,588,344
Increase in unrestricted net assets	232,463	225,952
Net assets at beginning of year	531,400	305,448
Net assets at end of year	\$ 763,863	\$ 531,400

See accompanying notes to financial statements

HURTT FAMILY HEALTH CLINIC, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 232,463	\$ 225,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,328	10,578
(Increase) decreases in operating assets:		
Grants and accounts receivable	(13,258)	(2,374)
Inventory - medications	66,170	(159,971)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	49,832	(45,227)
Deferred revenue	50,000	0
	<u>404,535</u>	<u>28,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(119,271)</u>	<u>(13,442)</u>
Net cash used by investing activities	<u>(119,271)</u>	<u>(13,442)</u>
Net increase in cash and cash equivalents	285,264	15,516
Cash and cash equivalents at beginning of year	<u>172,331</u>	<u>156,815</u>
Cash and cash equivalents at end of year	<u>\$ 457,595</u>	<u>\$ 172,331</u>

See accompanying notes to financial statements

HURTT FAMILY HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Hurt Family Health Clinic, Inc., formerly known as OCRM Health Care Services and Casa de Salud Family Health Clinic (the Organization) was incorporated as a nonprofit organization under the laws of the State of California in 2000 and is committed to providing medical services to an underserved population at minimum costs to patients. Patients receive access to the highest quality primary healthcare, disease prevention and patient healthcare education available. The Organization also has preventive educational service available to low income families. Some of these are nutrition, exercise, lifestyle modification, childcare, stress reduction, smoking cessation and other topics that reduce the cost of treatment and disease.

Related entity

In June 2004, a new Board of Directors of the Organization was elected, which is the same Board of Directors as Orange County Rescue Mission (OCRM). OCRM is a nonprofit organization which provides emergency and transitional care to homeless individuals and families. The Board controls both entities. Beginning October 1, 2007 OCRM also has an economic interest in the Organization. Therefore, the financial statements for OCRM, the controlling entity, are consolidated, whereas these financial statements are reported as a separate entity.

During the fiscal year ended September 30, 2008 OCRM donated to the Organization two medical related vehicles, some office equipment and three medical related grants.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Accounting for contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

HURTT FAMILY HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting for contributions (continued)

Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Organization reports both the revenue and the related expense in the unrestricted net asset class.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or stipulated how long the assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line and declining balance methods.

HURTT FAMILY HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Fair value measurements

Effective July 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which provides a framework for measuring fair value under generally accepted accounting principles (GAAP). SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) - which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources; Cost approach (Level 2) - which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and Income approach (Level 3) - which uses valuation techniques to convert future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Donated materials and services

Material gifts-in-kind items used in the Organization's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed. A physical count of items on hand at the end of the year is included in inventory. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. Such items are capitalized or charged to operations as appropriate.

Medications inventory

Medications inventory consists of purchased and donated medications used in the operation of the Organization's programs. The inventory is stated at cost if purchased or recorded at its fair value at the date of donation.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended September 30, 2009 and 2008 were minimal.

HURTT FAMILY HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Income tax status

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

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Equipment and office furniture	\$ 278,524	\$ 200,005
Vehicles	<u>252,344</u>	<u>211,591</u>
	530,868	411,596
Less accumulated depreciation	<u>401,384</u>	<u>382,055</u>
	<u>\$ 129,484</u>	<u>\$ 29,541</u>

Depreciation in the amount of \$19,328 and \$10,578 has been allocated to program services and supporting activities for the fiscal years ended September 30, 2009 and 2008, respectively.

Note 3 - Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. There are no unconditional promises to give at September 30, 2009 and 2008.

The Organization has received conditional grants and contracts from governmental entities that require the Organization to provide certain services during specific periods. The amounts expended that have not been reimbursed from these entities are shown as grants receivable.

HURTT FAMILY HEALTH CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 4 - Commitment and Contingency

The Organization has contracted with various funding agencies to perform certain healthcare services, and receives Medi-Cal and Medicare revenue from the state and federal governments. Reimbursements received under these contracts and payments from Medi-Cal and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

HURTT FAMILY HEALTH CLINIC, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Compensation and related expenses	\$ 924,944	\$ 80,500	\$ 56,000	\$ 1,061,444
Direct assistance - clinic operations	687,136			687,136
Insurance	11,143			11,143
Mobile medical clinic	2,498			2,498
Telephone, utilities and maintenance	6,852			6,852
Depreciation	19,328			19,328
Medical and dental supplies	84,747			84,747
Pharmaceuticals	54,564			54,564
Office expense		3,829		3,829
Professional fees		10,513		10,513
Dues and subscriptions		6,948		6,948
Training	6,240			6,240
Information technologies	10,580			10,580
	<u>\$ 1,808,032</u>	<u>\$ 101,790</u>	<u>\$ 56,000</u>	<u>\$ 1,965,822</u>
	<u>92.0%</u>	<u>5.2%</u>	<u>2.8%</u>	<u>100.0%</u>

See accompanying notes to financial statements

HURTT FAMILY HEALTH CLINIC, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Compensation and related expenses	\$ 771,602	\$ 45,824	\$ 13,312	\$ 830,738
Direct assistance - clinic operations	601,272			601,272
Insurance	10,357			10,357
Mobile medical clinic	2,826			2,826
Rents	52,139	17,472		69,611
Telephone, utilities and maintenance	9,264			9,264
Depreciation	10,578			10,578
Office expense		31,620		31,620
Professional fees		10,811		10,811
Dues and subscriptions		8,017		8,017
Bad debts		1,895		1,895
Other	1,355			1,355
	<u>\$ 1,459,393</u>	<u>\$ 115,639</u>	<u>\$ 13,312</u>	<u>\$ 1,588,344</u>
	<u>91.9%</u>	<u>7.3%</u>	<u>0.8%</u>	<u>100.0%</u>

See accompanying notes to financial statements