



*ARTHUR NAGEL COMMUNITY CLINIC, INC.*

*FINANCIAL REPORT*

*FOR THE YEAR ENDED*

*DECEMBER 31, 2019*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Arthur Nagel Community Clinic, Inc.  
Bandera, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Arthur Nagel Community Clinic, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

### ***Basis for Qualified Opinion***

The entity did not count its physical inventory as of December 31, 2018 or 2019, stated in the accompanying financial statements at \$0 as of December 31, 2018 and at \$84,372 as of December 31, 2019. The entity's records do not permit the application of other auditing procedures to inventories. Since opening balances enter into the determination of the results of the activities, functional expenses and cash flows, we were unable to determine whether any adjustments to the \$52,036 medical supplies obsolescence as reported on the statement of functional expenses might have been necessary. We believe the current year in-kind revenue (receipt of prescription inventory) and the current year in-kind expense (prescription assistance) to be correct in the statement of activities and functional expenses.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Arthur Nagel Community Clinic, Inc. as of December 31, 2019, 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.

### ***Emphasis of Matter***

As discussed in Note B13 to the financial statements, in January 2019, the entity adopted new accounting guidance Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2018-09: *Codification Improvements*. Our opinion is not modified with respect to this matter.

As discussed in B12 to the financial statements, in 2019, the entity changed the basis of accounting from the modified cash basis of accounting (a basis of accounting other than accounting principles generally accepted in the United States of America) to the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Our opinion is not modified with respect to this matter. A restatement of prior balances was required.



Armstrong, Vaughan & Associates, P.C.

April 16, 2020

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	28,770
Cash and Cash Equivalents - Restricted		22,583
Investments		15,324
Accounts Receivable		31,535
Prepaid Expenses		4,016
Donated Inventory		84,372
<i>Total Current Assets</i>		186,600

*Noncurrent Assets:*

Equipment		3,600
Less: Accumulated Depreciation		(3,600)
<i>Total Noncurrent Assets</i>		-

**TOTAL ASSETS** **\$ 186,600**

**LIABILITIES AND NET ASSETS**

*Current Liabilities:*

Accounts Payable	\$	7,360
<i>Total Current Liabilities</i>		7,360

*Net Assets:*

<i>Without Donor Restrictions:</i>		
Board Designated Endowment Fund		15,324
Undesignated		141,333
<i>With Donor Restrictions</i>		22,583
<i>Total Net Assets</i>		179,240

**TOTAL LIABILITIES AND NET ASSETS** **\$ 186,600**

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>REVENUES, SUPPORT, AND OTHER</b>			
Grants	\$ 396,732	\$ 20,000	\$ 416,732
Contributions	61,025	-	61,025
In-Kind Contributions	887,258	-	887,258
Program Income	2,798	-	2,798
Special Event Income, net of expenses	36,954	-	36,954
Other Income	5,921	-	5,921
Realized and Unrealized Gain (Loss) on Investments	2,132	-	2,132
Interest & Dividend Income, net of Investment Fees	(5)	-	(5)
Net Assets Released from Restriction	35,330	(35,330)	-
	<u>1,428,145</u>	<u>(15,330)</u>	<u>1,412,815</u>
<b>TOTAL REVENUES, SUPPORT, AND OTHER</b>			
<b>EXPENSES</b>			
Program Services	1,220,202	-	1,220,202
Supporting Services:			
Management & General	60,988	-	60,988
Fundraising	72,854	-	72,854
	<u>1,354,044</u>	<u>-</u>	<u>1,354,044</u>
<b>TOTAL EXPENSES</b>			
<b>CHANGE IN NET ASSETS</b>	74,101	(15,330)	58,771
<b>NET ASSETS - BEGINNING OF YEAR</b>	21,829	37,913	59,742
Prior Period Adjustment	60,727	-	60,727
	<u>60,727</u>	<u>-</u>	<u>60,727</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 156,657</u>	<u>\$ 22,583</u>	<u>\$ 179,240</u>

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

<b>FUNCTIONAL EXPENSES</b>	<u>Programs</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<i>Personnel Costs:</i>				
Salaries	\$ 172,411	\$ 14,487	\$ 56,000	\$ 242,898
Payroll Taxes	13,363	1,123	4,340	18,826
Employee Benefits	-	-	-	-
<i>Total Personnel Costs</i>	<u>185,774</u>	<u>15,610</u>	<u>60,340</u>	<u>261,724</u>
Prescription Assistance	743,289	-	-	743,289
Patient Care Expenses	96,695	-	-	96,695
Contract Labor	71,235	-	12,160	83,395
Medical Supplies Obsolescence	52,036	-	-	52,036
Rent	14,400	3,600	-	18,000
Professional Fees	-	24,628	-	24,628
Insurance	8,708	3,300	-	12,008
Software Maintenance & Internet	12,242	1,160	-	13,402
Marketing	7,519	-	-	7,519
Utilities	7,256	1,814	-	9,070
Supplies	6,670	964	-	7,634
Printing	4,185	1,046	-	5,231
Interest Expense	-	1,310	-	1,310
Education	3,726	2,680	-	6,406
Dues & Subscriptions	-	1,347	-	1,347
Bank Fees	-	1,194	354	1,548
Maintenance & Repairs	3,878	970	-	4,848
Postage	-	132	-	132
Volunteer Appreciation	-	600	-	600
Conferences & Travel	880	-	-	880
Equipment	1,709	550	-	2,259
Other Miscellaneous	-	83	-	83
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$1,220,202</u>	<u>\$ 60,988</u>	<u>\$ 72,854</u>	<u>\$1,354,044</u>

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ 58,771
Adjustments	
Realized and Unrealized (Gain) Loss on Investments	(2,132)
(Increase) Decrease in Current Assets:	
(Increase) Decrease in Accounts Receivable	33,465
(Increase) Decrease in Prepaid Expenses	1,821
(Increase) Decrease in Donated Inventory	(84,372)
Increase (Decrease) in Liabilities:	
Increase (Decrease) in Accounts Payable	(2,750)
<b>NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>	<u>4,803</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Reinvestment in Securities	134
Draws on Line of Credit	45,000
Principal Repayments on Line of Credit	(65,157)
<b>NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES</b>	<u>(20,023)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(15,220)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	
Cash and Cash Equivalents	28,660
Restricted Cash and Cash Equivalents	37,913
	<u>66,573</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	
Cash and Cash Equivalents	28,770
Restricted Cash and Cash Equivalents	22,583
	<u>\$ 51,353</u>
<b>SUPPLEMENTAL INFORMATION:</b>	
Interest Paid	\$ 1,310
Income Tax Paid	\$ -

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE A -- ORDER AND PURPOSE**

Arthur Nagel Community Clinic, Inc. (the Clinic) was incorporated in September 2007 as a nonprofit organization and is governed by a Board of Directors, as well as a dedicated staff. The clinic is located in Bandera, Texas. Its mission is to provide free medical services to low-income families in Bandera County and promote health education. The Clinic's primary sources of revenues are foundation grants and contributions.

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

1. BASIS OF PRESENTATION

The financial statements of Arthur Nagel Community Clinic, Inc. have been prepared using the accrual basis in accordance with the accounting principles generally accepted in the United States (GAAP) whereby revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets, support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as contributions without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board designated.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met by actions of the Clinic and/or the passage of time. When a 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.

2. USE OF ESTIMATES

The preparation of financial statements 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.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all checking and savings accounts with a maturity of three months or less.

4. INVESTMENTS

The Clinic's investments include equity securities. Investments are reported at their fair values on the statement of net position on the hierarchy established by generally accepted accounting principles.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

4. INVESTMENTS (CONT.)

The Clinic uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Measurement based on assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

The Clinic uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, the Clinic measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority. Unrealized gains and losses are included in the change in net assets.

5. INVENTORY

Inventory consists of donated prescription medications and is stated at the estimated cost that the Clinic would have paid for the item had it not been donated.

6. PROPERTY AND EQUIPMENT

Purchased furniture and equipment are stated at cost. Donated assets are recorded at estimated market value at the date of donation. The Clinic capitalizes all asset acquisitions in excess of \$750. Depreciation is computed using the straight-line method over the estimated useful life of five years.

7. REVENUE RECOGNITION

Revenue is recognized when earned. Program service revenues are revenues received from clients at the time of service, and are based on a donation rather than a set fee. These exchange transactions are recognized as revenue in the period in which the contribution is received. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and contributions received are recorded as net assets with restriction or net assets without restriction depending on the existence and/or nature of any donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restriction are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

8. DONATED SERVICES AND IN-KIND SUPPORT

The Clinic may receive services, supplies and equipment without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in a like amount. In-kind contributions are measured and recorded at fair value on the date of donation. Equipment and other non-cash donations are recorded as contributions at cost or estimated fair value determined on the date of the donation.

9. INCOME TAXES

The clinic is exempt from federal income section 501(c)(3) of the Internal Revenue Code Section 509(a)(2) and file as a 501(c)(3) of the Internal Revenue Code. The Clinic is required to file Internal Revenue Service form 990, Return of Organization Exempt from Income Tax annually.

The most significant tax position of the Clinic is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examinations by taxing authorities. Tax years 2016 - 2018 remain open to examination by the taxing jurisdiction to which the Organization is subject, and these periods have not been extended beyond the applicable statute of limitation.

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Clinic's programs and 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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimated of time and efforts, as well as utilities, rent, insurance and repairs and maintenance which are allocated based on square footage.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through April 16, 2020, which is the date the financial statements were available to be issued.

12. CHANGE IN ACCOUNTING METHOD

In 2019, the Clinic changed the basis of accounting from the modified cash basis of accounting (a basis of accounting other than accounting principles generally accepted in the United States of America) to the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. This required a restatement of prior year balances as summarized on Note C.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

13. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Update No. 2014-09, *Revenue from Contracts with Customers*, which offers amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosure relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The Clinic has adopted this new pronouncement effective January 1, 2019. The standard did not result in a restatement of beginning balances.

On June 21, 2018, the FASB issued Accounting Standards Update ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, to address questions stemming from FASB ASU 2014-09, Revenue from Contracts with Customers, (previously adopted) regarding its implications on the grants and contracts of not-for-profit organizations. The stated purpose of ASU 2018-08 is to provide guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. The Clinic has adopted ASU 2018-08 and has adjusted the presentation of the financial statements accordingly. The guidelines have been applied retrospectively to all periods presented.

July 2018, the FASB issued ASU 2018-09, Codification Improvements to clarify, correct and improve the FASB Accounting Standards Codification (ASC) established in September 2009. The ASC is the source of authoritative generally accepted accounting principles (GAAP) to be applied to nongovernmental entities. The Clinic adopted ASU 2018-09 as of January 1, 2019 and implemented any applicable amendments. The standard did not result in restatement of beginning balances.

14. NEW ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Clinic has not early adopted this pronouncement.

ARTHUR NAGEL COMMUNITY CLINIC, INC  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE C -- PRIOR PERIOD ADJUSTMENT**

As discussed in Note B12, the Clinic changed the basis of accounting from the modified cash basis of accounting to the accrual basis of accounting. The following table summarized the adjustments to beginning net assets for the change in accounting method:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Net Assets, as Previously Reported	\$ 21,829	\$ 37,913	\$ 59,742
Understated Accounts Receivable	65,000	-	65,000
Understated Prepaid Expenses	5,837	-	5,837
Understated Accounts Payable	(10,110)	-	(10,110)
Beginning Net Assets, Restated	<u>\$ 82,556</u>	<u>\$ 37,913</u>	<u>\$ 120,469</u>

**NOTE D -- PATIENT SERVICES**

The total market value of free medical services provided by the Clinic is estimated to be \$944,790 for the year ended December 31, 2019. These services do not meet the criteria for recognition and thus are not reported in the financial statements.

The Clinic provides a Prescription Assistance Program (PAP) to its patients, which allows for the Clinic to receive prescription drugs on behalf of the patients who need pharmaceutical assistance. The prescription drug request is submitted to the drug manufacturer by the PAP manager, and the pharmaceutical is shipped to the Clinic with the patient’s name on the bottle.

**NOTE E -- FAIR VALUE MEASUREMENT**

The Clinic’s financial instruments consist primarily of checking accounts, savings accounts and pooled equity investments. The carrying amount of the cash and cash equivalents approximate their fair market value due to the short-term nature of such instruments (level 1). The Clinic’s pooled equity investments are valued according to their fair value hierarchy at Level 2. The Clinic holds investments, which are valued based on the value of the underlying assets which consists of the investments in equity funds in pooled funds with the San Antonio Area Foundation. The Foundation will redeem the Clinic’s share of the pooled funds upon the Clinic’s request. The table below summarizes the investments held in the pooled funds for the year ended December 31, 2019:

Equity Securities - Cost	\$ 13,301
Equity Securities - Fair Market Value	15,324
Cumulative Unrealized Gains (Losses)	2,023

Investment income is reported net of investment fees totaling \$290 for the year ended December 31, 2019.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2019

**NOTE F -- PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2019:

Clinic Equipment	\$	3,600
Less: Accumulated Depreciation		<u>(3,600)</u>
Net Property and Equipment	\$	<u><u>-</u></u>

**NOTE G -- NET ASSETS WITHOUT DONOR RESTRICTION – BOARD DESIGNATED**

The Clinic’s governing board has designated, from net assets without donor restrictions \$15,324 in 2019 for an endowment fund. See Note I.

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

Net assets with donor restrictions were restricted for the following purposes at December 31, 2019:

Teaching Kitchen	\$	7,992
Food Bank		765
Integrated Behavioral Health Counseling		3,826
Senior Programs		<u>10,000</u>
Total	\$	<u><u>22,583</u></u>

Net asset were released from restrictions during the year ended December 31, 2019 for the following purposes:

Medical Equipment	\$	4,488
Teaching Kitchen		1,665
Riskbusters		5,937
Well Women		<u>23,240</u>
Total	\$	<u><u>35,330</u></u>

**NOTE I -- ENDOWMENT FUND**

The Clinic received a donation of a restricted endowment fund in 2017. It was reviewed and clarified in 2018 as to the original intent of the donation and the restriction was removed from the contribution. The Board of Directors have designated \$15,324 of net assets without donor restrictions (which represents the fair market value of the investment) to support the mission of the Clinic. Since the amount designated by the Board resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions. All investment expenses have been recorded as a reduction to Interest & Dividend Income on the Statement of Activities.

It is the policy of the Board to preserve amounts designated for the Endowment. This is accomplished through non-invasion of the Endowment principal. The Board may designate a percentage of annual earnings to increase the amounts designated for the Endowment. Net assets designated for Endowment are invested using a “Total Return Concept”.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2019

**NOTE I -- ENDOWMENT FUND (CONT.)**

Composition of and changes in the board designated endowment net assets for the year ended December 31, 2019 are as follows:

Beginning of the Year	\$	13,326
Contributions		-
Interest and Dividends		155
Net Appreciation (Realized and Unrealized)		2,132
Investment Fees		(289)
	\$	15,324

*Return Objectives and Risk Parameters*

The Clinic holds all endowment investments with the San Antonio Area Foundation. The San Antonio Area Foundation believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash. Endowment assets include those assets from board designated funds. The Board of Directors of the Clinic has adopted investment and spending policies for the endowment fund assets that attempt to fulfill the purpose of the fund and also protect the principal of the fund. The intent of the endowment fund is to grow the fund until a capital threshold of \$50,000 is reached, after which 50% of the annual interest is to be rolled back into the fund to assist with possible reduction in annual value and to increase the fund balance. The remaining 50% of annual interest would roll into the annual budget of the Clinic.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Clinic relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The fund is designed to offer a portfolio balanced through a diversified group of quality securities.

**NOTE J -- LINE OF CREDIT**

The Clinic has an unsecured revolving line of credit from a local institution in the amount of \$50,000. The interest rate is 4.5% and the maturity date is July 26, 2020. At December 31, 2019, the line of credit balance was \$0.

**NOTE K -- IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the following for the years ended December 31, 2019:

Prescriptions	\$	879,697
Non-Medical Services (Maintenance IT, Accounting)		7,561
Total	\$	887,258

In-kind volunteer services for the years ended December 31, 2019 of \$43,566 was excluded from the financial statements as they did not meet the recognition criteria.

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE L -- SPECIAL EVENTS**

Special event fundraisers are reported net of direct costs. The following is a summary of special events hosted during the year ended December 31, 2019.

	Cork 'n Fork	Bandera Round-Up	Mardi Gras	Total
Revenues	\$ 58,849	\$ 10,386	\$ 2,290	\$ 71,525
Expenses	(23,848)	(10,723)	-	(34,571)
Total Special Events, Net	<u>\$ 35,001</u>	<u>\$ (337)</u>	<u>\$ 2,290</u>	<u>\$ 36,954</u>

**NOTE M -- LOSS ON INVENTORY**

Loss on inventory during the year ended December 31, 2019 totaled \$52,036. The amount represents the value of in-kind prescriptions received that expired prior to being dispensed during the year or on hand as of December 31, 2019.

**NOTE N -- OPERATING LEASES**

The Clinic entered into an operating lease with Xerox for the long-term rental of a copier machine. The lease calls for monthly payments of \$152 per month to be paid over 60 months starting in May 2015.

The Clinic leases office space in Bandera, TX under terms of a four year, non-cancelable operating lease. The monthly lease payments for the office space ranges from \$1,300 to \$1,600 and will expire on December 31, 2021.

Total minimum operating lease commitments for the operating leases as of December 31, 2019 are as follows:

Year Ending September 30,	Copiers	Rent	Total
2020	\$ 606	\$ 19,200	\$ 19,806
2021	-	19,200	19,200
	<u>\$ 606</u>	<u>\$ 38,400</u>	<u>\$ 39,006</u>

ARTHUR NAGEL COMMUNITY CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

**NOTE O -- REVENUE CONCENTRATIONS**

The Clinic relies upon grants and service fees for funding a majority of its programs. The reliance upon several large program members created the following revenue concentrations (not including in-kind contributions) for the year ended December 31, 2019:

	2019
Methodist Healthcare Ministries	22.5%
Hal & Charlie Peterson Foundation	11.4%
Kronkosky Charitable Foundation	14.3%

**NOTE P -- LITIGATION**

The management of the Clinic is unaware of any pending or threatened litigation.

**NOTE Q -- LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Clinic has been operating with financial assets on hand to meet approximately 1 month of normal operating expenses (excluding in-kind), which were approximately \$50,266 per month in 2019. The Clinic has approximately \$52,945 of financial assets available to meet cash needs in the next year for general expenditures as of December 31, 2019 as shown in the table below.

Cash and Cash Equivalents	\$ 28,770
Cash and Cash Equivalents - Restricted	22,583
Investments	15,324
Accounts Receivable	31,535
Accounts Payable	(7,360)
Total Financial Assets	90,852
Less: Net Assets with Donor Restrictions	(22,583)
Less: Board Designated Funds	(15,324)
Total Financial Assets Available to Meet Cash for General Expenditure Needs	\$ 52,945

The Clinic has an open line of credit with \$50,000 available as of December 31, 2019 to cover operating expenses if necessary.

**NOTE R -- SUBSEQUENT EVENT**

The Clinic's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Company's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

