



ARTHUR NAGEL COMMUNITY CLINIC, INC.

FINANCIAL REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2020

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 do a physical inventory as of 2020, stated in the accompanying financial statements at \$11,403 as of December 31, 2020. The Clinic did not maintain an accurate accounting of in-kind prescription medications received during 2020. Further, the medications that were disposed of or expired were not tracked. Management provided an inventory as of mid-January 2021 which was used for the inventory value as of December 31, 2020, taking into account the subsequent activity. 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 \$491,166 prescription assistance as reported on the statement of functional expenses might have been necessary. We believe the current year in-kind revenue (receipt of prescription inventory) to be correct in the statement of activities.

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Arthur Nagel Community Clinic's December 31, 2019 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated April 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armstrong, Vaughan & Associates, P.C.

April 6, 2021

ARTHUR NAGEL COMMUNITY CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

ASSETS	2020	2019
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 91,944	\$ 28,770
Cash and Cash Equivalents - Restricted	92,957	22,583
Investments - Endowment Fund	16,977	15,324
Accounts Receivable	17,273	31,535
Prepaid Expenses	2,005	4,016
Donated Inventory	11,403	84,372
<i>Total Current Assets</i>	232,559	186,600
 <i>Noncurrent Assets:</i>		
Equipment	3,600	3,600
Less: Accumulated Depreciation	(3,600)	(3,600)
<i>Total Noncurrent Assets</i>	-	-
TOTAL ASSETS	\$ 232,559	\$ 186,600
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 17,333	\$ 7,360
Deferred Revenue	1,000	-
<i>Total Current Liabilities</i>	18,333	7,360
 <i>Net Assets:</i>		
<i>Without Donor Restrictions:</i>		
Board Designated Endowment Fund	16,977	15,324
Undesignated	104,292	141,333
<i>With Donor Restrictions</i>	92,957	22,583
<i>Total Net Assets</i>	214,226	179,240
TOTAL LIABILITIES AND NET ASSETS	\$ 232,559	\$ 186,600

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUES, SUPPORT, AND OTHER				
Grants	\$ 403,173	\$ 122,500	\$ 525,673	\$ 416,732
Contributions	107,901	-	107,901	61,025
In-Kind Contributions	1,255,303	-	1,255,303	887,258
Program Income	1,342	-	1,342	2,798
Special Event Income, net of expenses	6,980	-	6,980	36,954
Other Income	932	-	932	5,921
Realized and Unrealized Gain on Investments	2,068	-	2,068	2,132
Interest and Dividend Income, net of Investment Fees	(659)	-	(659)	(5)
Net Assets Released from Restriction	52,126	(52,126)	-	-
	<u>1,829,166</u>	<u>70,374</u>	<u>1,899,540</u>	<u>1,412,815</u>
TOTAL REVENUES, SUPPORT, AND OTHER				
EXPENSES				
Program Services	1,737,442	-	1,737,442	1,220,202
Supporting Services:				
General and Administrative	51,447	-	51,447	60,988
Fundraising	75,665	-	75,665	72,854
	<u>1,864,554</u>	<u>-</u>	<u>1,864,554</u>	<u>1,354,044</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	(35,388)	70,374	34,986	58,771
NET ASSETS - BEGINNING OF YEAR	156,657	22,583	179,240	59,742
Prior Period Adjustment	-	-	-	60,727
	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,727</u>
NET ASSETS - END OF YEAR	<u>\$ 121,269</u>	<u>\$ 92,957</u>	<u>\$ 214,226</u>	<u>\$ 179,240</u>

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

FUNCTIONAL EXPENSES	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019 Total</u>
<i>Personnel Costs:</i>					
Salaries	\$ 175,331	\$ 14,000	\$ 56,000	\$ 245,331	\$ 242,898
Payroll Taxes	13,561	1,083	4,331	18,975	18,826
<i>Total Personnel Costs</i>	<u>188,892</u>	<u>15,083</u>	<u>60,331</u>	<u>264,306</u>	<u>261,724</u>
Patient Care Expenses	940,684	-	-	940,684	96,695
Prescription Assistance	491,166	-	-	491,166	743,289
Medical Supplies Obsolescence	-	-	-	-	52,036
Contract Labor	53,515	-	15,184	68,699	83,395
Rent	15,360	3,840	-	19,200	18,000
Professional Fees	-	16,940	-	16,940	24,628
Utilities	11,754	2,939	-	14,693	9,070
Insurance	8,436	2,109	-	10,545	12,008
Software Maintenance and Internet	7,467	1,392	-	8,859	13,402
Supplies	6,569	12	-	6,581	7,634
Equipment	1,411	4,779	-	6,190	2,259
Marketing	5,588	-	-	5,588	7,519
Printing	3,762	941	-	4,703	5,231
Maintenance and Repairs	1,887	472	-	2,359	4,848
Other Miscellaneous	-	927	-	927	83
Bank Fees	-	750	150	900	1,548
Volunteer Appreciation	-	573	-	573	600
Education	558	-	-	558	6,406
Conferences and Travel	393	-	-	393	880
Dues and Subscriptions	-	310	-	310	1,347
Interest Expense	-	228	-	228	1,310
Postage	-	152	-	152	132
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,737,442</u>	<u>\$ 51,447</u>	<u>\$ 75,665</u>	<u>\$ 1,864,554</u>	<u>\$ 1,354,044</u>

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

ARTHUR NAGEL COMMUNITY CLINIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 34,986	\$ 58,771
Adjustments		
Realized and Unrealized (Gain) Loss on Investments	(2,068)	(2,132)
(Increase) Decrease in Current Assets:		
(Increase) Decrease in Accounts Receivable	14,262	33,465
(Increase) Decrease in Prepaid Expenses	2,011	1,821
(Increase) Decrease in Donated Inventory	72,969	(84,372)
Increase (Decrease) in Liabilities:		
Increase (Decrease) in Accounts Payable	9,973	(2,750)
Increase (Decrease) in Deferred Revenue	1,000	-
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	133,133	4,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvestment in Securities	415	134
NET CASH PROVIDED (REQUIRED) BY INVESTING ACTIVITIES	415	134
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on Line of Credit	30,000	45,000
Principal Repayments on Line of Credit	(30,000)	(65,157)
NET CASH PROVIDED (REQUIRED) BY FINANCING ACTIVITIES	-	(20,157)
NET INCREASE (DECREASE) IN CASH	133,548	(15,220)
BEGINNING CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	28,770	28,660
Restricted Cash and Cash Equivalents	22,583	37,913
	51,353	66,573
ENDING CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	91,944	28,770
Restricted Cash and Cash Equivalents	92,957	22,583
	\$ 184,901	\$ 51,353
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ 228	\$ 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, 2020

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.

The Clinic is a nonprofit provider of low-cost primary and preventative healthcare for low-income, medically underserved Bandera County residents aged 12 and older. In addition, the Clinic provides integrated behavioral health services (mental health counseling), prescription assistance, and healthy lifestyle classes. Over the past ten years, the Clinic has invested in the area's neediest families treating more than 2,700 unduplicated patients with 18,900 separate medical and health education services. The Clinic believes that every person deserves good health and well-being. The Clinic's programs and services actively promote dignity and self-respect for all.

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.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

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

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.

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. PREPAID EXPENSES

Expenses recorded in advance of the service or product being received are deferred and carried on the statement of financial position as prepaid expenses. As of December 31, 2020, the Clinic had \$2,005 in prepaid insurance and \$4,016.

6. 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.

7. 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.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

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

8. 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. As of December 31, 2020, there are no conditional promises to give.

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.

9. 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.

10. 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 2017 - 2019 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.

11. 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.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

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

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through April 6, 2021, which is the date the financial statements were available to be issued.

13. RECLASSIFICATIONS

Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on changes in net assets.

14. UPCOMING 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.

NOTE C -- 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, 2020:

Equity Securities - Cost	\$	12,872
Equity Securities - Fair Market Value		16,977
Cumulative Unrealized Gains (Losses)		4,105

Investment income is reported net of investment fees totaling \$1,036 for the year ended December 31, 2020. See Note E for additional information.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2020

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2020:

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

NOTE E -- BOARD DESIGNATED ENDOWMENT FUND

The Clinic’s governing board has designated, from net assets without donor restrictions \$16,977 in 2020 for an endowment fund.

The Clinic received a donation of an endowment fund with restrictions 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 \$16,977 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 the Endowment are invested using a “Total Return Concept”.

Composition of and changes in the board designated endowment net assets for the year ended December 31, 2020 are as follows:

Beginning of the Year	\$	15,324
Contributions		500
Interest and Dividends		121
Net Appreciation (Realized and Unrealized)		2,068
Investment Fees		<u>(1,036)</u>
	<u>\$</u>	<u>16,977</u>

ARTHUR NAGEL COMMUNITY CLINIC, INC
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2020

NOTE E -- BOARD DESIGNATED ENDOWMENT FUND (CONT.)

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 F -- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at December 31, 2020:

Baptist Health Foundation	\$ 70,000
Senior Programs	10,000
Teaching Kitchen	7,984
Community Foundation of Hill County	2,685
Integrated Behavioral Health Counseling	1,487
Food Bank	765
San Antonio Area Foundation	36
Total	<u>\$ 92,957</u>

Net asset were released from restrictions during the year ended December 31, 2020 for the following purposes:

Well Women	\$ 27,340
San Antonio Area Foundation	14,963
Senior Programs	7,500
Riskbusters	-
Medical Equipment	-
Community Foundation of Hill County	2,315
Teaching Kitchen	8
Total	<u>\$ 52,126</u>

ARTHUR NAGEL COMMUNITY CLINIC, INC
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE G -- 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, 2020:

Methodist Healthcare Ministries	21.6%
Kronkosky Charitable Foundation	15.0%
Hal & Charlie Peterson Foundation	10.0%
Baptist Health Foundation	11.7%

NOTE H -- PAYCHECK PROTECTION PROGRAM

The Clinic received a forgivable loan through the Paycheck Protection Program from the United States Federal Government in the amount of \$50,565 to be used on payroll, rent and utilities. Management fully expects the loan to be forgiven and has elected to treat the program as a conditional grant, recognizing revenue as the conditions are met. For the year ended December 31, 2020, Arthur Nagel Community Clinic, Inc. recognized \$50,565 in revenue based on expenses in accordance with the program through that date. Official forgiveness of the loan is expected in 2021. While remote, there is a chance the forgiveness will not occur and the Clinic will be required to repay the loan over a two year period with 1% interest.

NOTE I -- IN-KIND CONTRIBUTIONS AND PATIENT SERVICES

The total market value of free medical services provided by the Clinic is estimated to be \$805,282 for 2020.

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.

In-kind contributions consist of the following for the years ended December 31, 2020:

Professional Medical Services	\$ 805,282
Prescriptions	416,871
Non-Medical Services (Maintenance IT, Accounting)	33,150
Total	<u>\$ 1,255,303</u>

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 June 24, 2021. At December 31, 2020, the line of credit balance was \$0.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE K -- SPECIAL EVENTS

Special event fundraisers are reported net of direct costs. The Clinic canceled the Cork 'n Fork and Bunny Run during the 2020 fiscal year due to COVID-19. The following is a summary of special events during the year ended December 31, 2020.

	Cork 'n Fork	Bunny Run	Third Party Events	Total
Revenues	\$ -	\$ -	\$ 12,500	\$ 12,500
Expenses	(177)	(343)	(5,000)	(5,520)
Total Special Events, Net	<u>\$ (177)</u>	<u>\$ (343)</u>	<u>\$ 7,500</u>	<u>\$ 6,980</u>

NOTE L -- OPERATING LEASES

The Clinic entered into an operating lease with Xerox for the long-term rental of a copier machine. In addition, the Clinic leases office space in Bandera, TX under terms of a four year, non-cancelable operating lease that ends in 2021. Total minimum operating lease commitments for the operating leases as of December 31, 2020 are as follows:

Year Ending September 30,	Copiers	Rent	Total
2021	\$ 2,353	\$ 19,200	\$ 21,553
2022	2,353	-	2,353
2023	2,353	-	2,353
2024	2,353	-	2,353
2025	1,568	-	1,568
	<u>\$ 10,980</u>	<u>\$ 19,200</u>	<u>\$ 30,180</u>

NOTE M -- COMMITMENTS

In October 2020, the Clinic entered into a consultant agreement for strategic planning services. The agreement calls for installment payments as phases of the project are completed. As of December 31, 2020, the Clinic has paid \$3,000 of the \$12,000 total agreement. Since the remaining \$9,000 of consulting services had not been provided as of December 31, 2020, no liability is recorded on the Statement of Financial Position.

ARTHUR NAGEL COMMUNITY CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE N -- LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Clinic is operating with financial assets on hand to meet approximately 1 to 2 months of normal operating expenses (excluding in-kind), which were approximately \$50,771 per month in 2020. The Clinic has approximately \$90,884 of financial assets available to meet cash needs in the next year for general expenditures. This amount excludes restricted cash and designated investments. Liquidity and availability as of December 31, 2020 is shown in the table below:

Cash and Cash Equivalents	\$ 91,944
Accounts Receivable	17,273
Accounts Payable	(17,333)
Deferred Revenue	<u>(1,000)</u>
Total Financial Assets Available to Meet	
Cash for General Expenditure Needs	<u>\$ 90,884</u>

The Clinic has an open line of credit with \$50,000 available as of December 31, 2020 to cover operating expenses, if necessary.

NOTE O -- LITIGATION

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

NOTE P -- RELATED PARTY TRANSACTIONS

The Treasurer of the Board of Directors of the Clinic is the CFO of the bank from which the Clinic received the forgivable Paycheck Protection Program loan.

NOTE Q -- COVID-19 PANDEMIC

The Clinic's ongoing profitability may experience instability and estimates included in the financial statements may change due to continued political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19 and business closures. 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.

