

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015



CliftonLarsonAllen

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS

Statements of Financial Position 3
Statements of Operations 4
Statements of Changes in Net Assets 5
Statements of Functional Expenses 6
Statements of Cash Flows 8

Notes to Financial Statements 9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Nurse Health Association
La Grange, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Community Nurse Health Association dba: Community Nurse Health Center (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of operations, changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Nurse Health Association as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 27, 2016

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 866,805	\$ 494,967
Patient Accounts Receivable (Net of Allowance for Doubtful Accounts)	78,819	256,626
Other Receivables	8,000	406
Pledges and Contributions Receivable	-	59,264
Grants Receivable	127,828	116,591
Prepaid Expenses	97,866	40,915
Inventory	154,787	227,484
Total Current Assets	1,334,105	1,196,253
CERTIFICATES OF DEPOSIT	243,292	274,715
INVESTMENTS	860,617	873,314
PROPERTY AND EQUIPMENT, NET	972,629	972,823
Total Assets	\$ 3,410,643	\$ 3,317,105
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,824	\$ 32,071
Accrued Payroll, Vacation, and Related Expenses	153,083	119,434
Accrued Expenses	32,700	41,381
Deferred Revenue	31,771	34,655
Total Current Liabilities	252,378	227,541
NET ASSETS		
Unrestricted	1,487,635	1,461,273
Unrestricted - Board-Designated	1,170,679	1,160,564
Total Unrestricted Net Assets	2,658,314	2,621,837
Temporarily Restricted Net Assets	499,951	467,727
Total Net Assets	3,158,265	3,089,564
Total Liabilities and Net Assets	\$ 3,410,643	\$ 3,317,105

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENTS OF OPERATIONS
Years Ended June 30, 2016 and 2015**

	2016	2015
REVENUE		
Support and Revenue:		
Individual Contributions	\$ 135,130	\$ 174,015
Contributed Goods and Services	99,568	93,817
Foundation Grants	380,760	207,794
Resale Shop Sales	750,365	802,244
Federal Government Grants	1,574,035	978,453
Local Government Grants	-	10,614
Proviso Township Grants	-	1,667
Fundraising Events, Net	41,852	65,074
Patient Revenue:		
Net Patient Service Fees	1,904,961	1,766,002
Net Assets Released from Restrictions Used for Operations	147,400	414,568
Total Revenue	5,034,071	4,514,248
EXPENSES		
Program Services	4,271,239	3,586,248
Support Services:		
Management and General	455,738	511,820
Fundraising	283,674	194,992
Total Expenses	5,010,651	4,293,060
OTHER EXPENSE		
Loss on Disposal of Property and Equipment	(5,269)	-
OPERATING INCOME	18,151	221,188
OTHER REVENUE		
Miscellaneous	9,430	13,096
Dividend and Interest	36,721	23,944
Realized Gain on Investments	5,190	5,464
Total Other Revenue	51,341	42,504
SURPLUS OF REVENUE OVER EXPENSES	\$ 69,492	\$ 263,692

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended June 30, 2016 and 2015**

	2016	2015
UNRESTRICTED NET ASSETS		
Surplus of Revenue over Expenses	\$ 69,492	\$ 263,692
Unrealized Loss on Investments	(33,015)	(7,811)
Increase in Unrestricted Net Assets	36,477	255,881
TEMPORARILY RESTRICTED NET ASSETS		
Individual Contributions	-	300,000
Contributed Goods and Services	-	1,000
Foundation Grants	156,374	138,050
Fundraising Revenue	23,250	8,350
Net Assets Released from Restrictions	(147,400)	(414,568)
Increase in Temporarily Restricted Net Assets	32,224	32,832
CHANGE IN NET ASSETS	68,701	288,713
Net Assets - Beginning of Year	3,089,564	2,800,851
NET ASSETS - END OF YEAR	\$ 3,158,265	\$ 3,089,564

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016**

	Program Services						Supporting Services			
	Community Healthcare Network						Total Program Services	Management & General	Fundraising	Total
Medical Services	Dental Services	Resale Shops	Patient Services	Psychiatry & Behavioral Health	Social Services					
Salaries and Wages	\$ 1,017,683	\$ 769,756	\$ 350,875	\$ 280,425	\$ 60,185	\$ 3,380	\$ 2,482,304	\$ 236,454	\$ 157,420	\$ 2,876,178
Payroll Taxes and Benefits	149,044	114,271	57,190	49,823	9,284	2,732	382,344	41,966	25,632	449,942
Bad Debts	-	-	70	-	-	-	70	-	-	70
Bank Fees	964	1,467	13,982	-	-	2	16,415	797	947	18,159
Clinical Provider Services	77,086	-	-	-	1,980	-	79,066	-	-	79,066
Computers and Technology	87,331	44,142	10,684	11,655	7,213	-	161,025	21,131	10,801	192,957
Depreciation	45,278	28,225	39,265	6,009	3,345	7,431	129,553	11,968	1,282	142,803
Donated Services	9,900	-	-	-	-	-	9,900	-	-	9,900
Donated Supplies	17,275	4,926	-	-	-	-	22,201	-	-	22,201
Donated Santa Gifts	-	-	-	-	-	95,213	95,213	-	-	95,213
Dues and Subscriptions	3,109	2,779	720	463	-	-	7,071	13,489	1,347	21,907
Insurance	85,430	32,216	21,125	4,820	2,536	3,272	149,399	9,102	2,183	160,684
Licenses and Fees	1,156	643	200	5	-	-	2,004	-	91	2,095
Loss Due to Inventory Reduction	-	-	44,951	-	-	-	44,951	140	-	45,091
Marketing and Outreach	139	139	23,805	3,308	-	-	27,391	1,050	12,685	41,126
Occupancy:										
Utilities	18,352	5,411	30,119	4,294	2,887	6,208	67,271	6,735	595	74,601
Repair and Maintenance	22,687	7,071	49,925	6,914	4,151	8,927	99,675	10,224	1,350	111,249
Office Equipment and Supplies	9,037	4,561	9,790	3,336	40	252	27,016	3,006	1,957	31,979
Outside Services	63,078	10,391	7,356	22,854	-	163	103,842	39,999	18,706	162,547
Postage and Delivery	2,616	942	126	4,881	-	-	8,565	2,325	12,671	23,561
Printing and Reproduction	12,835	4,960	4,047	8,807	4	1,161	31,814	571	20,218	52,603
Professional Development	14,648	5,563	3,510	1,428	52	-	25,201	9,825	2,369	37,395
Professional Fees	157	71	71	29	-	-	328	33,458	29	33,815
Program Supplies	97,103	83,849	20,927	3,348	140	6,166	211,533	4,884	6,907	223,324
Small Equipment and Equipment Maintenance	9,225	14,109	3,702	3,242	-	-	30,278	3,179	2,379	35,836
Telephone and Cable	23,673	10,941	9,210	5,683	4,029	-	53,536	5,254	3,132	61,922
Transportation	-	-	2,878	395	-	-	3,273	181	218	3,672
Miscellaneous	-	-	-	-	-	-	-	-	755	755
Total Functional Expenses	\$ 1,767,806	\$ 1,146,433	\$ 704,528	\$ 421,719	\$ 95,846	\$ 134,907	\$ 4,271,239	\$ 455,738	\$ 283,674	\$ 5,010,651

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015**

	Program Services						Supporting Services			
	Community Healthcare Network						Management and General	Fundraising	Total	
	Medical Services	Dental Services	Resale Shops	Patient Services	Psychiatry & Behavioral Health	Social Services				Total Program Services
Salaries and Wages	\$ 1,011,205	\$ 673,470	\$ 321,462	\$ 143,818	\$ 2,570	\$ 3,444	\$ 2,155,969	\$ 301,716	\$ 107,941	\$ 2,565,626
Payroll Taxes and Benefits	138,720	97,961	56,625	26,205	317	320	320,148	48,148	18,898	387,194
Bad Debts	2,637	3,931	-	-	-	-	6,568	-	-	6,568
Bank Fees	954	1,449	14,637	-	-	2	17,042	1,038	1,576	19,656
Clinical Provider Services	68,214	-	-	-	5,336	-	73,550	-	-	73,550
Computers and Technology	61,130	45,403	7,094	8,194	-	-	121,821	15,746	7,606	145,173
Depreciation	38,417	32,846	38,905	5,005	3,358	10,149	128,680	12,549	1,742	142,971
Donated Services	12,549	788	-	-	-	-	13,337	-	-	13,337
Donated Supplies	-	-	-	135	-	-	135	-	-	135
Donated Santa Gifts	-	-	-	-	-	99,880	99,880	-	-	99,880
Dues and Subscriptions	1,313	2,682	678	-	-	-	4,673	11,776	1,874	18,323
Insurance	51,148	19,182	15,864	2,391	1,255	4,314	94,154	9,464	6,125	109,743
Licenses and Fees	1,583	168	199	61	1	-	2,012	239	40	2,291
Marketing and Outreach	124	89	18,116	1,965	-	-	20,294	1,705	5,304	27,303
Occupancy:										
Utilities	14,853	6,431	29,269	3,121	2,699	8,722	65,095	6,459	847	72,401
Property Taxes	-	-	-	-	-	-	-	-	-	-
Repair and Maintenance	19,993	9,742	48,678	5,297	3,893	12,719	100,322	10,115	1,795	112,232
Office Equipment and Supplies	12,360	5,799	7,837	4,046	37	-	30,079	3,997	2,684	36,760
Outside Services	15,929	7,005	8,138	8,911	-	200	40,183	18,814	11,655	70,652
Postage and Delivery	1,863	806	334	2,053	-	1,456	6,512	4,901	1,936	13,349
Printing and Reproduction	13,294	5,092	3,516	4,340	2	-	26,244	303	13,030	39,577
Professional Development	7,123	8,175	1,407	234	-	-	16,939	5,917	540	23,396
Professional Fees	-	-	-	-	-	163	163	47,064	890	48,117
Program Supplies	55,227	76,088	18,673	6,748	131	745	157,612	4,953	6,169	168,734
Small Equipment and										
Equipment Maintenance	10,372	12,637	1,578	1,352	111	-	26,050	1,738	908	28,696
Telephone	21,899	9,978	8,533	8,264	3,793	-	52,467	4,744	2,847	60,058
Transportation	-	28	4,395	85	-	17	4,525	289	94	4,908
Miscellaneous	1,739	23	23	9	-	-	1,794	145	491	2,430
Total Functional Expenses	\$ 1,562,646	\$ 1,019,773	\$ 605,961	\$ 232,234	\$ 23,503	\$ 142,131	\$ 3,586,248	\$ 511,820	\$ 194,992	\$ 4,293,060

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 68,701	\$ 288,713
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	142,803	142,971
Cash Contributions Restricted for Capital Improvements	-	(300,000)
Bad Debt Expense	70	6,568
Donated Stock	(8,726)	(10,315)
Loss on Disposal of Property and Equipment	5,269	-
Unrealized and Realized Losses on Investments	27,825	2,347
(Increase) Decrease in Assets:		
Accounts Receivable	177,737	(181,352)
Other Receivables	(7,594)	(353)
Inventory	72,697	18,938
Pledges and Contributions Receivable	59,264	(59,264)
Grants Receivable	(11,237)	256,845
Increase (Decrease) in Liabilities:		
Prepaid Expenses	(56,951)	30,849
Accounts Payable	2,753	(29,726)
Accrued Payroll, Vacation, and Related Expenses	33,649	(83,002)
Accrued Expenses	(8,681)	(48,429)
Deferred Revenue	(2,884)	20,493
Net Cash Provided by Operating Activities	494,695	55,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	181,191	333,443
Purchases of Investments and Dividend Reinvestments	(188,170)	(297,526)
Purchases of Certificates of Deposit	(50,000)	(250,000)
Maturity of Certificates of Deposit	82,000	-
Purchases of Property and Equipment	(147,878)	(14,746)
Net Cash Used by Investing Activities	(122,857)	(228,829)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Contributions Restricted for Capital Improvements	-	300,000
NET INCREASE IN CASH	371,838	126,454
Cash and Cash Equivalents - Beginning of Year	494,967	368,513
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 866,805	\$ 494,967

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

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Nurse Health Association dba: Community Nurse Health Center (the Organization) is a nonprofit organization incorporated in the state of Illinois in 1921 which provides and coordinates quality, comprehensive health and human services to people in the western suburbs of Chicago, with an emphasis on those with limited access to care. The activities are primarily funded by contributions from individuals and private foundations, support from a federal grant, clinical revenues including Medicaid, sales of items donated to the Carousel Shoppe, and investment income.

Funds raised are used for programs developed by the Organization as follows:

- Medical services includes coordinated preventive and acute care, chronic illness care and management, health education to patients ages 0-64 provided by staff, a 340B drug program, and volunteer providers as well as Healthy Beginnings, a prenatal care management and education program. Patients access on-site psychiatry & behavioral health services through collaboration with a local community mental health agency.
- Dental services include comprehensive, preventive and restorative oral health care, and oral health education provided by staff and volunteer providers.
- Resale shops are operated by staff and volunteers and support the Organization's medical and dental programs.
- The Community Healthcare Network (Network) is a health care safety net program for low income, uninsured adults ages 19-64. Services include primary care, mental health services, specialty care referrals to a network of volunteer providers, pharmacy services and access to hospital based laboratory, diagnostic, and inpatient services if needed. The Organization is the enrollment site, a primary care site, and the managing entity for the Network, which is collaboration between Adventist La Grange Memorial Hospital, Pillars Community Services, Community Memorial Foundation, and multiple volunteer specialists.
- The Social Services program includes the Secret Santa program, a holiday gift program that provides incentive for our low-income pediatric patients to access preventative medical and dental services. Other social services provided include emergency food cards to our clients in need, operation of a clothing program from our resale shop for homeless persons receiving services at the local homeless shelter and support agency, and distribution of layettes for newborns in our Healthy Beginnings program.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

The fiscal year for the Organization ends on June 30. Significant accounting policies followed by the Organization are presented below:

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Surplus of Revenue over Expenses

The statements of operations include surplus of revenue over expenses. Changes in unrestricted net assets, which are excluded from the surplus of revenue over expenses, consistent with industry practice, include unrealized gains and losses on other-than-trading investments, contributions of long-lived assets (including assets acquired using contributions restricted by donors for the purpose of acquiring such assets), and grants for the acquisition of long-lived assets.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the board of directors.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization had no permanently restricted net assets at June 30, 2016 and 2015.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation.

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

At June 30, 2016 and June 30, 2015, the Organization had four certificates of deposit with maturity dates going through May 25, 2017. All certificates of deposit are federally insured and are stated at cost.

Investments

The Organization accounts for investments at fair value, based on quoted market prices. Unrealized gains or losses on such securities are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the proceeds received less the fair market value as of the previous year or original cost if it was purchased during the year. Unrealized gains and losses are included in the change in net assets.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable

Patient receivables, for which a third party payer is responsible for paying, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual fee adjustments or discounts provided to third party payers.

Patient receivables due directly from the patients are carried at the original charge for the service provided, less amounts covered by third party payers and less an estimated allowance for uncollectible receivables. Management determines the allowance for uncollectible accounts, fee adjustments and discounts by identifying troubled accounts and by historical experience applied to an aging of accounts. Patient receivables are written off as adjustments to service fee revenue when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of service fee revenue adjustment account when received. The Organization determines when an account is past due based on payer classification. The Organization does not charge interest on past due accounts. The allowance for uncollectible accounts at June 30, 2016 and 2015 was \$32,145 and \$7,587, respectively.

Pledges and Contributions Receivable

Unconditional promises to give contributions are recorded as revenue when the promises are received. Pledges expected to be collected in periods greater than one year are discounted to their estimated present value. There were no long-term pledges at June 30, 2016 and 2015. Management assesses the collectability of pledges receivable based on historical experience. When amounts are determined to be uncollectible, they are written off and charged to bad debt loss.

Grants Receivable

Grants receivable consists of costs under the grant agreements that were incurred prior to year-end, for which payment has not been received.

Costs incurred recoverable under grants are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible grants expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at June 30, 2016 and 2015 was \$-0-.

Inventory

Inventory held at the resale shops is comprised solely of donated goods and is appraised and recorded at fair market value at year-end. Inventory held for the Secret Santa program is comprised mainly of donated goods and is maintained at pre-determined levels throughout the year. A portion of the inventory held for the Secret Santa program is purchased by the Organization to cover shortages in certain inventory categories. The Secret Santa inventory is appraised and recorded at fair market value at year-end.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchases of \$1,000 or more are stated at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of the property are capitalized. Assets received as donations are stated at the fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	27.5
Building Improvements	20 - 27.5
Furniture and Fixtures	5
Machinery and Equipment	5

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Recognition of Support and Revenues

Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "Net assets released from restrictions". The Organization has no permanently restricted net assets.

Grant revenues are recognized in the period in which they are expended for cost reimbursement agreements. Amounts received under these grants that have not yet been expended are recorded as deferred revenue. Grants advanced and not expended by the end of the grant or contract period are refundable to the grantor. Certain organizations involved in exchange transactions may specify monies be used in a specific future period and, as such, they are initially recorded as deferred revenue, and are then recognized in the period for which they were designated.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Fees

The Organization has agreements with third party payers that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, case rates, discounted charges, per diem payments, and enhancements. Net patient service fees are reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third party payers as final settlements are determined. Total adjustments and fees discounts to patient and third party payers were approximately \$3,476,000 and \$3,596,000 for the years ended June 30, 2016 and 2015, respectively.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. A significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Organization also records provision for doubtful accounts related to third party payers for services provided.

Contributed Goods and Services

The value of donated used goods and materials are not reflected in the Statements of Activities. The Organization's management calculates fair market value of donated used goods sold at the Carousel Shoppe and Corner Shoppe. The calculated fair market value of donated used goods sold was \$705,414 and \$791,056 for the years ended June 30, 2016 and 2015, respectively. The Organization received \$-0- and \$1,000 of donated new goods for the Secret Santa program for the years ended June 30, 2016 and 2015, respectively.

The Organization recognizes donated services of specialized skills which would need to be purchased if they were not donated as in-kind contributions in the Statements of Activities. Donated health care and professional services amounted to \$9,900 and \$13,337 for the years ended June 30, 2016 and 2015, respectively. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the Statements of Activities for unpaid volunteers.

Sliding Fee Adjustments (Charity Care)

The Organization is a nonprofit health care provider established to meet the health care needs of its community. The Organization has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates, or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Electronic Health Record Incentive Payments

As discussed in Note 12, the Organization received funds under the Electronic Health Records (EHR) Incentive Program. The Organization recognized revenue for payments received during the period. Going forward, the Organization will recognize revenue when management is reasonably assured they will meet all meaningful use objectives and any other specific grant requirements that are applicable, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years is made.

Functional Allocation of Expenses

The costs of providing various programs and other activities are presented on a functional basis in the Statements of Activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. The Organization determined that it was not required to record a liability related to uncertain tax positions.

Recent Accounting Pronouncements

Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting. However, no longer require the presentation or disclosure of the indirect method reconciliation, if using the direct method.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statements of Not-for-Profit Entities (Continued)

- Enhanced disclosures in the following areas:
 - Board designated net assets
 - Donor restricted net assets
 - Qualitative and quantitative information on liquidity
 - Amounts of expenses by both their natural and functional classification
 - Methods used to allocate costs among program and supporting functions
 - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for annual periods beginning after December 15, 2017. Early adoption is permitted.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued 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 disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Prior year amounts have been reclassified, where appropriate, to conform to the current year method of presentation. These changes had no impact to the change in net assets.

NOTE 2 - PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable represent unconditional amounts to be received as evidenced by signed grant agreements. All contributions receivable are expected to be collected within one year of the statements of financial position dates. Pledges and contributions were \$-0- and \$59,264 at June 30, 2016 and 2015, respectively.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable represents amounts due from various governmental and charitable entities for services to be provided by the Organization. The Organization's grants receivable at June 30, 2016 and 2015 consisted of the following amounts:

	2016	2015
Restricted for Community Memorial Foundation	\$ 127,828	\$ -
Restricted for Community Healthcare Network	-	116,591
Total Pledges and Contributions Receivable	\$ 127,828	\$ 116,591

NOTE 4 - INVESTMENTS

Investments consisted of the following as of June 30:

	2016	2015
Stock Mutual Funds	\$ 344,178	\$ 343,994
Bond Funds	463,165	412,629
Exchange Traded Funds	53,274	116,691
Total Investments	\$ 860,617	\$ 873,314

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 66,394	\$ 66,394
Building and Improvements	2,395,743	2,292,458
Furniture and Equipment	666,607	644,070
Vehicles	6,500	6,500
Construction in Process	-	1,225
	<u>3,135,244</u>	<u>3,010,647</u>
Less: Accumulated Depreciation	2,162,615	2,037,824
Property and Equipment, Net	<u>\$ 972,629</u>	<u>\$ 972,823</u>

NOTE 6 - BOARD-DESIGNATED FUNDS

The board has designated the following unrestricted net assets as of June 30:

	<u>2016</u>	<u>2015</u>
Capital Reserve	\$ 280,588	\$ 293,739
Operating Reserve	305,013	258,186
Trust Reserve	563,155	566,389
Secret Santa Reserve	21,923	42,250
Total Board-Designated Funds	<u>\$ 1,170,679</u>	<u>\$ 1,160,564</u>

NOTE 7 - LINE OF CREDIT

In November 2011, the Organization obtained a \$250,000 revolving credit agreement with Hinsdale Bank & Trust Company. In February of 2016, the line of credit was extended through February 3, 2017. The line of credit is collateralized by the assets of the Organization. The \$250,000 line of credit bears interest at the prime rate (3.50% and 3.25% at June 30, 2016 and 2015, respectively). The balance outstanding was \$-0- at June 30, 2016 and 2015.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Net asset balances were comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Adult Medical Program	\$ 70,500	\$ 88,200
Pediatrics Program	10,000	-
Dental Program	46,000	21,400
Community Healthcare Network	27,374	28,450
Secret Santa	22,827	21,327
Future Capital Expansion	300,000	300,000
Special Events for Future Periods	23,250	8,350
Total Temporarily Restricted Net Assets	<u>\$ 499,951</u>	<u>\$ 467,727</u>

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

For the years ended June 30, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished are as follows for the years ended June 30:

	2016	2015
Adult Medical Program	\$ 138,050	\$ 168,111
Pediatrics Program	-	20,000
Dental Program	-	78,333
Community Healthcare Network	-	118,867
Secret Santa	1,000	11,188
IDPH Navigators	-	7,019
Special Events	8,350	11,050
Total	\$ 147,400	\$ 414,568

NOTE 9 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 - significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The fair values of exchange traded funds (ETF), bond funds, and stock mutual funds (Level 1 assets) are based on quoted market prices for identical assets in active markets. There are no Level 2 or Level 3 assets at June 30, 2016 and 2015.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a full value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level3
<u>June 30, 2016</u>				
Investments:				
Foreign Large Value Equity Funds	\$ 80,971	\$ 80,971	\$ -	\$ -
Midcap Blend Equity Funds	190,080	190,080	-	-
Short Term Bond Funds	61,425	61,425	-	-
Corporate Bond Funds	228,924	228,924	-	-
Large Growth Equity Funds	73,127	73,127	-	-
Large Blend ETFs	53,274	53,274	-	-
Nontraditional Bond Funds	172,816	172,816	-	-
Total Assets at Fair Value	\$ 860,617	\$ 860,617	\$ -	\$ -
<u>June 30, 2015</u>				
Investments:				
Diversified Emerging Markets Equity	\$ 40,578	\$ 40,578	\$ -	\$ -
Foreign Large Value Equity Funds	59,083	59,083	-	-
Mid cap Blend Equity Funds	145,614	145,614	-	-
Short Term Bond Funds	33,907	33,907	-	-
High Yield Bond Funds	202,346	202,346	-	-
Large Growth Equity Funds	98,719	98,719	-	-
Large Blend ETFs	116,691	116,691	-	-
Nontraditional Bond Funds	176,376	176,376	-	-
Total Assets at Fair Value	\$ 873,314	\$ 873,314	\$ -	\$ -

NOTE 10 - CONTINGENCIES AND CONCENTRATIONS

The Organization maintains cash in certain financial institutions for which the balances marginally exceeded federally insured limits for a short period of time during the year due to in-transit transactions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the Organization and the amounts reported in the Statements of Activities.

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 10 - CONTINGENCIES AND CONCENTRATIONS (CONTINUED)

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Other

The U.S. Department of Health and Human Services approves the Organization's annual budget.

Concentrations

One foundation grantor represented 10% during 2016 and 6% during 2015 of public support. Federal grant awards from one agency represented 50% during 2016 and 34% during 2015 of public support.

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third party payer agreements. The mix of receivables from patients and third party payers is as follows at June 30:

	<u>2016</u>	<u>2015</u>
Medicare	2%	0%
Medicaid	75%	94%
Other Third Party Payers and Patients	23%	6%
Total	<u>100%</u>	<u>100%</u>

**COMMUNITY NURSE HEALTH ASSOCIATION
DBA: COMMUNITY NURSE HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 11 - RETIREMENT PLAN

The Organization sponsors a savings and retirement plan under Section 401(k) of the IRC for non-union and union employees. The plan is available to employees who have completed one year of employment and worked at least 1,000 hours. Eligible employees may contribute up to 80% of their compensation. The Organization matched employee contributions, not exceeding 2% of employee compensation. Expense recognized for matching contributions were \$11,333 and \$-0- for the years ended June 30, 2016 and 2015, respectively.

NOTE 12 - ELECTRONIC HEALTH RECORD INVENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospital and providers that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Organization continuing to meet the escalating meaningful use criteria. For the first payment year, the Organization must attest, subject to an audit, it has adopted, implemented, or upgraded certified EHR technology used in achieving meeting the meaningful use criteria.

For the subsequent payment year, the Organization must demonstrate meaningful use for the entire year. The incentive payments are generally made over a six-year period. The Organization received incentive payments of \$63,750 and \$38,250 for the years ended June 30, 2016 and 2015, respectively, and is included in federal government grants revenue.

NOTE 13 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 27, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to October 27, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2016.

This information is an integral part of the accompanying financial statements.