

**COOPERATIVE CHRISTIAN MINISTRIES AND CLINIC, INC.**

**Hot Springs, Arkansas**

**December 31, 2016 and 2015**

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## Independent Auditors Report

To the Board of Directors  
Cooperative Christian Ministries and Clinic, Inc.  
Hot Springs, Arkansas

We have audited the accompanying financial statements of Cooperative Christian Ministries and Clinic, Inc. (Clinic), a nonprofit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 Clinic'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 Clinic'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 Cooperative Christian Ministries and Clinic, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Certified Public Accountants  
Hot Springs, Arkansas

August 14, 2017

**Cooperative Christian Ministries and Clinic, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 47,181	\$ 83,845
Investments	354,480	313,702
ARCF accumulated earnings	5,092	4,117
Grant receivable	16,675	13,625
Inventory - prescription drugs	931,529	2,499,209
Prepaid expenses	8,099	5,951
Total Current Assets	<u>\$ 1,363,056</u>	<u>\$ 2,920,449</u>
<u>Fixed Assets</u>		
Land	\$ 50,000	\$ 50,000
Land improvements	48,034	48,034
Building	542,108	542,108
Equipment and furniture	277,393	262,510
Total	<u>\$ 917,535</u>	<u>\$ 902,652</u>
Less accumulated depreciation	478,183	454,502
Net Fixed Assets	<u>\$ 439,352</u>	<u>\$ 448,150</u>
<u>Other Assets</u>		
ARCF accumulated contributions	<u>\$ 22,175</u>	<u>\$ 22,175</u>
<u>Total Assets</u>	<u>\$ 1,824,583</u>	<u>\$ 3,390,774</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 690	\$ 6,591
Accrued payroll	-	6,476
Payroll liabilities	1,600	450
Total Current Liabilities	<u>\$ 2,290</u>	<u>\$ 13,517</u>
<u>Net Assets</u>		
Unrestricted	\$ 1,791,574	\$ 3,331,091
Temporarily restricted	8,544	23,991
Permanently restricted	22,175	22,175
Total Net Assets	<u>\$ 1,822,293</u>	<u>\$ 3,377,257</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,824,583</u>	<u>\$ 3,390,774</u>

See independent auditors report and notes to financial statements.

**Cooperative Christian Ministries and Clinic, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue</u>				
Donations:				
Churches	\$ 51,577			\$ 51,577
Companies and organizations	16,195	\$ 5,000		21,195
Grants	41,344	58,193		99,537
Individuals	45,651			45,651
Memorials and honorariums	70,447			70,447
Noncash	391,003			391,003
Patient fees	5,540			5,540
Investment income	14,117			14,117
Other income	11,665			11,665
Special events - \$60,496 less cost of \$5,354	55,142			55,142
Unrealized gain on investments	30,659			30,659
Net assets released from restrictions	78,640	[ 78,640]		
Net Revenue	\$ 811,980	\$ [ 15,447]		\$ 796,533
<u>Expenses</u>				
Medical programs	\$ 1,040,934			\$ 1,040,934
Management and general	80,136			80,136
Total Expenses	\$ 1,121,070			\$ 1,121,070
<u>Change in Net Assets before Extraordinary Loss</u>	\$[ 309,090]			\$[ 324,537]
<u>Extraordinary Loss</u>				
Disposal of inventory	[1,230,427]			[1,230,427]
<u>Change in Net Assets</u>	\$(1,539,517)	\$ [15,447]		\$(1,554,964)
<u>Net Assets – January 1, 2016</u>	3,331,091	23,991	\$ 22,175	3,377,257
<u>Net Assets – December 31, 2016</u>	\$ 1,791,574	\$ 8,544	\$ 22,175	\$ 1,822,293

See independent auditors report and notes to financial statements.

**Cooperative Christian Ministries and Clinic, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue</u>				
Donations:				
Churches	\$ 38,906			\$ 38,906
Companies and organizations	39,329			39,329
Grants	23,029	83,216		106,245
Individuals	57,413	10,000		67,413
Memorials and honorariums	5,950			5,950
Noncash	337,278			337,278
Patient fees	4,913			4,913
Investment income	8,637			8,637
Medical records	2,395			2,395
Other income	2,244			2,244
Service fees	313			313
Special events - \$55,968 less cost of \$10,332	45,636			45,636
Unrealized loss on investments	[ 34,678]			[ 34,678]
Net assets released from restrictions	83,475	[ 83,475]		
	<u>\$ 614,840</u>	<u>\$ 9,741</u>		<u>\$ 624,581</u>
 <u>Expenses</u>				
Medical programs	\$ 953,964			\$ 953,964
Management and general	80,620			80,620
	<u>\$ 1,034,584</u>			<u>\$ 1,034,584</u>
 <u>Change in Net Assets before Extraordinary loss</u>	 \$ [419,744]			 \$ [410,003]
 <u>Extraordinary loss</u>				
Disposal of inventory	[1,345,021]			[1,345,021]
 <u>Change in Net Assets</u>	 \$[1,764,765]	 \$ 9,741		 \$[1,755,024]
 <u>Net Assets – January 1, 2015</u>	 <u>5,095,856</u>	 <u>14,250</u>	 <u>\$ 22,175</u>	 <u>5,132,281</u>
 <u>Net Assets – December 31, 2015</u>	 <u>\$ 3,331,091</u>	 <u>\$ 23,991</u>	 <u>\$ 22,175</u>	 <u>\$ 3,377,257</u>

See independent auditors report and notes to financial statements.

Cooperative Christian Ministries and Clinic, Inc.  
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

	2016			2015		
	Medical Programs	Management and General	Total Expenses	Medical Programs	Management and General	Total Expenses
Advertising	\$ 2,010	\$ 2,010	\$ 4,020	\$ 1,879	\$ 1,880	\$ 3,759
Bank fees		265	265		369	369
Bridge workshop	3,939		3,939	4,873		4,873
Contract labor	48,526	14,495	63,021	52,300	15,622	67,922
Dental supplies	1,102		1,102	933		933
Dues and subscriptions	2,399	716	3,115	2,245	670	2,915
Getting Ahead Program	42,788		42,788	27,689		27,689
Insurance	6,303	548	6,851	5,653	492	6,145
Janitorial services	3,300	986	4,286	3,053	912	3,965
Medical services/prescription drugs:						
Donated	728,281		728,281	649,022		649,022
Purchased	1,993		1,993	3,372		3,372
Medical supplies	1,480		1,480	629		629
Medical waste disposal	993		993	6,766		6,766
Miscellaneous	6,575	1,964	8,539	5,878	4,021	9,899
Occupancy:						
Building repairs and maintenance	3,476	1,038	4,514	4,434	1,325	5,759
Insurance	3,495	1,044	4,539	3,584	1,070	4,654
Utilities	11,330	3,384	14,714	12,480	3,728	16,208
Office supplies	6,434	1,922	8,356	4,853	1,449	6,302
Personnel costs	137,401	41,042	178,443	129,614	38,716	168,330
Postage	323	96	419	1,452	434	1,886
Professional fees:						
Accounting	4,851	1,449	6,300	5,932	68	6,000
Audit	2,890	2,890	5,780	3,000	2,600	5,600
Repairs and maintenance	155	46	201			
Seminars and conferences	45	14	59			
Telephone	2,610	780	3,390	3,202	956	4,158
Total Expenses before Depreciation	\$ 1,022,699	\$ 74,689	\$ 1,097,388	\$ 932,843	\$ 74,312	\$ 1,007,155
Depreciation	18,235	5,447	23,682	21,121	6,308	27,429
Total Expenses	\$ 1,040,934	\$ 80,136	\$ 1,121,070	\$ 953,964	\$ 80,620	\$ 1,034,584
Percentage of Expenses	92.85%	7.15%	100%	92.21%	7.79%	100%

See independent auditors report and notes to financial statements.



**Cooperative Christian Ministries and Clinic, Inc.**  
**STATEMENTS OF CASH FLOWS**

	<u>For the Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from contributions	\$ 345,853	\$ 314,246
Cash received from services	5,540	7,621
Cash paid to suppliers and employees	[387,836]	[ 364,521]
Interest received	14,117	8,637
Miscellaneous income	<u>11,665</u>	<u>2,244</u>
Net Cash Used in Operating Activities	<u>\$[ 10,661]</u>	<u>\$[ 31,773]</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of investments	\$[ 10,119]	\$ [347,582]
Investment in endowment	[ 975]	40,021
Purchase of fixed assets	<u>[ 14,909]</u>	<u>[ 13,095]</u>
Net Cash Used in Investing Activities	<u>\$ [ 26,003]</u>	<u>\$ [320,656]</u>
<u>Net Decrease in Cash and Cash Equivalents</u>	<u>\$ [36,664]</u>	<u>\$ [352,429]</u>
<u>Cash and Cash Equivalents - January 1</u>	<u>83,845</u>	<u>436,274</u>
<u>Cash and Cash Equivalents - December 31</u>	<u>\$ 47,181</u>	<u>\$ 83,845</u>
<u>Supplemental Disclosure</u>		
Schedule of Noncash Investing and Financing Transactions:		
Donations for prescription drugs, diagnostic testing and specialized volunteer hours	<u>\$ 391,003</u>	<u>\$ 337,278</u>

See independent auditors report and notes to financial statements.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**NOTE 1: Summary of Significant Accounting Policies -**

Organization and Purpose. The Clinic is a nonprofit Christian ministry that strives to improve the quality of life of the needy in the Hot Springs, Arkansas area. It does so by providing general medical care and medications to the uninsured, dental and vision services to the underinsured and by serving as an advocate for the needy and maximizing community resources to reduce poverty.

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Clinic and changes therein are classified and reported as follows:

Unrestricted Net Assets. These net assets are not subject to donor-imposed stipulations. The assets are available for general obligations of the Clinic.

Temporarily Restricted Net Assets. These are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Clinic and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, support that is restricted by the donor is reported as unrestricted revenue if the restriction expires or is met in the same reporting period in which the support is received.

Permanently Restricted Net Assets. These are net assets subject to donor-imposed stipulations that they be maintained permanently by the Clinic. Generally, the donors of these assets permit the Clinic to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments. The fair value of financial instruments approximates the carrying amount reported in the statements of financial position for cash and cash equivalents, certificates of deposit, receivables and accounts payable.

Grants Receivable. The Clinic incurred expenses to be reimbursed through an Arkansas Department of Health grant. Grant receivables at December 31, 2016 and 2015, were \$16,675 and \$13,625, respectively.

Fixed Assets and Depreciation. Fixed assets are recorded at acquisition cost or fair-market value of donated assets at the time of receipt. Retirements are removed from book valuations based on the applicable cost or donated value. Depreciation of buildings, furniture and equipment is provided over the estimated lives of the related assets on the straight-line basis.

See independent auditors report.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2016 and 2015**

Donations. The Clinic reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of donated assets. When a donor 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 Clinic reports gifts of land, buildings and equipment as unrestricted support unless explicit, donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Without explicit, donor stipulations about how long the long-lived assets must be maintained, the Clinic reports expirations of donor restrictions when the donated or acquired, long-lived assets are placed in service.

Patient Fees. An administrative fee is charged to each patient receiving services from the Clinic. If a patient qualifies, the fee is \$5 for each visit including any prescriptions filled during that visit.

Donated Services. Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Clinic. Qualifying professional or contractual services are recognized in the financial statements at fair value when received. Throughout the year, numerous volunteers also provide assistance to the Clinic that is not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses. The costs of providing the Clinic's various programs and supporting services are summarized on a functional basis in the financial statements. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among the functional categories benefited.

Income Taxes. The Clinic is exempt from federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is included in the accounts. The Clinic's Forms 990, *Return of Organization Exempt from Income Taxes*, for the years 2016, 2015 and 2014, are subject to examination by the Internal Revenue Service generally for three years after they are filed.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Clinic considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

**NOTE 2: Credit Risk and Concentrations** - The Clinic maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions holding

See independent auditors report.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2016 and 2015

the investments. Over 70% of the Clinic's funding (excluding noncash donations) is received as donations from churches, corporations, individuals and grants. There are no assurances that these donations and grants will continue on an annual basis.

**NOTE 3: Inventory** - Inventory consists of various prescription drugs held for dispensing to Clinic patients at the written request of a licensed physician from the Clinic. The Clinic does not stock any controlled substances. Purchased inventories are stated at average wholesale price. The clinic also participates in a drug assistance program (DAP) in cooperation with various prescription drug manufacturers. The drugs received through this program are ordered and designated for specific qualifying patients and are received in bulk shipments. At December 31, 2016 and 2015, the Clinic had approximately \$114,266 and \$41,091 respectively, in DAP inventory.

The DAP inventory does not belong to the Clinic and is not recorded on its financial statements. However, if a patient's medical needs change resulting in a change in prescribed medication, any remaining DAP inventory that will not be used by the specified patient may be transferred to the Clinic's general inventory.

**NOTE 4: Investments** - At December 31, 2016 and 2015, investments consisted of the following:

	2016			2015		
	Cost	Unrealized Depreciation	Fair-Market Value	Cost	Unrealized Appreciation	Fair-Market Value
Corporate bonds	\$ 56,421	\$[ 860]	\$ 55,561	\$ 56,421	\$ [15,833]	\$ 40,588
Money markets *	31,925		31,925	44,399		44,399
Stock mutual funds	302,077	[ 3,159]	298,918	291,959	[18,845]	273,114
	<u>\$ 390,423</u>	<u>\$[ 4,019]</u>	<u>\$ 386,404</u>	<u>\$ 392,779</u>	<u>\$ [34,678]</u>	<u>\$358,101</u>

\* Money market funds are treated as cash equivalents in the statements of financial position

Equity investments with readily determinable market values and all debt securities are reported at fair-market value in the statement of financial position. Gains and losses on investments are reported in the statement of activities as increases [decreases] in unrestricted assets unless their use is temporarily or permanently restricted by donor stipulation or law. Composition of net investment return is as follows:

	2016	2015
Interest/dividend income	\$ 13,138	\$ 9,435
Realized gain/[loss]	979	[ 798]
Unrealized gain/[loss]	30,659	[34,678]
Net	<u>\$ 44,776</u>	<u>\$ [26,041]</u>

**NOTE 5: Summary of Fair Value Exposure** – The fair-value measurement accounting literature prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted, quoted prices in

See independent auditors report.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2016 and 2015

active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of fair-value hierarchy defined by accounting literature are as follows:

- Level 1 - Quoted prices in active markets for identical securities,
- Level 2 - Other significant, observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.),
- Level 3 - Significant, unobservable inputs (include the Clinic's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Clinic's financial assets and liabilities are not indicators of the risks associated with those instruments. The following provides the fair-value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015:

Description	Investment in Securities	
	2016	2015
Level 1 - Quoted prices	\$ 386,404	\$ 358,101
Level 2	None	None
Level 3	None	None
Total Fair Value	<u>\$ 386,404</u>	<u>\$ 358,101</u>

**NOTE 6: Arkansas Community Foundation - Endowment Fund** - On October 3, 2007, Cooperative Christian Ministries and Clinic, Inc. entered into an agreement with the Arkansas Community Foundation, Inc.'s Endowment Fund. The agreement with Arkansas Community Foundation, Inc. irrevocably gives, delivers, transfers and assigns to Arkansas Community Foundation, Inc. all of its rights, title and interest in the Endowment Fund to be held and administered for the charitable purpose of providing support to Cooperative Christian Ministries and Clinic. The Financial Accounting Standards Board released Statement of Financial Accounting Standard *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (FAS 136). FAS 136 establishes accounting standards for reporting of transactions in which a not-for-profit organization (such as a community foundation) accepts contributions from an agency (a nonprofit organization), agrees to transfer those assets, the return on those assets, or both back to that agency. For the year ended December 31, 2016, the Fund had the following transactions:

Fund Balance – January 1, 2016	\$ 26,292
Changes to Fund balance:	
Dividends and interest earned	\$ 528
Realized gain on sale of investments	224
Gain (unrealized on market valuations)	488
Administrative fees	<u>[ 265]</u>
Net Change	<u>975</u>
Fund Balance – December 31, 2016	<u>\$ 27,267</u>

See independent auditors report.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2016 and 2015

**NOTE 7: Temporarily Restricted Net Assets** - The Clinic collects funds to be used toward various items and projects. Under the terms of the agreements, at December 31, 2016, the funds are to be used for the following:

Dental services	\$ 6,119
Vision Campaign	<u>2,425</u>
<u>Total</u>	<u>\$ 8,544</u>

**NOTE 8: Permanently Restricted Net Assets** - The Clinic has funds in an endowment with the Arkansas Community Foundation Principal defined as fair-market values of contributions at the time of donation are permanently restricted. Permanently restricted contributions as of December 31, 2016, were \$22,175.

**NOTE 9: Clara I. Hudson Charitable Memorial Fund** - In 2000, at the death of Clara I. Hudson, the Clara I. Hudson Memorial Fund (Fund) was established based on Ms. Hudson's wishes as set forth in the Clara I. Hudson Trust documents. This memorial fund was established as a perpetual charitable trust for the equal benefit of three, charitable organizations. The Fund documents require that all income net of administrative fees be distributed equally to each beneficiary, at least annually. Additionally, as the Fund is considered a foundation, it is required to distribute at least five percent of the Fund's market value annually. The perpetual charitable trust's assets are not recordable on the Clinic's books. Activity in the Fund for the year ended December 31, 2016, was as follows:

Trust Net Assets - January 1, 2016	\$ 158,466
Changes in net assets:	
Cash receipts	6,120
Investment income and market gains	3,046
Administrative fees and distributions to beneficiaries	<u>[ 13,470]</u>
Trust Net Assets - December 31, 2016	<u>\$ 154,162</u>

**NOTE 10: Noncash Donations** - The Clinic receives substantial donations of time from doctors, nurses, pharmacists and other volunteers, as well as, donations of prescription medications from pharmaceutical manufacturers for use in furthering the Clinic's effort in the Hot Springs community. For the years ended December 31, 2016 and 2015, the following noncash donations were recognized as revenue and inventory at fair-market value:

	<u>2016</u>	<u>2015</u>
Lab and X-ray services provided by local hospitals	\$ 306,628	\$ 237,772
Prescriptions *	337,253	311,494
Professional service hours	<u>84,400</u>	<u>99,756</u>
<u>Total Noncash Donations</u>	<u>\$ 728,281</u>	<u>\$ 649,022</u>

\* Recognized as inventory in statements of financial position.

For the years ended December 31, 2016 and 2015 disposal of expired drugs resulted in a loss on disposal of \$ 1,230,427 and \$1,345,021 respectively.

See independent auditors report.

**Cooperative Christian Ministries and Clinic, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2016 and 2015

**NOTE 11: Related-Party Transactions** - The Clinic engages Gary Beckwith, CPA, board treasurer and an employee of Beckwith & Co., Ltd., to provide monthly bookkeeping services. For the years ended December 31, 2016 and 2015, the fees paid for this service were \$6,300 and \$6,000 respectively. An employee of the Clinic, Sharon Morel, also serves on the board of directors. In performing her duties as an employee in 2016, she received compensation of \$26,631. A contract employee of the Clinic, Jill Johnson, also serves on the board of directors. As a contract employee in 2016, she received compensation of \$19,200.

**NOTE 12: Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities** - At Exhibit D, the Clinic discloses cash flows from operating activities using the direct method. The following is a reconciliation of the changes in net assets, as reflected at Exhibit B, to net cash used in operating activities:

	<u>2016</u>	<u>2015</u>
Change in net assets	<u>\$[1,554,964]</u>	<u>\$ [1,755,024]</u>
Adjustment to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	\$ 23,682	\$ 27,429
Change in receivables	[ 3,050]	435
Change in donated inventory	1,567,705	1,656,515
Change in prepaid expenses	[ 2,148]	1,475
Change in accounts payable	[ 5,901]	2,772
Change in accrued expenses	[ 5,326]	[ 303]
Change in unearned revenue		
Loss [gain] on investments	<u>[ 30,659]</u>	<u>34,928</u>
Net Adjustment	<u>\$ 1,544,303</u>	<u>\$ 1,723,251</u>
Net Cash Used in Operating Activities	<u><u>\$[ 10,661]</u></u>	<u><u>\$[ 31,773]</u></u>

**NOTE 13: Subsequent Events** – From January 1 through June 30, 2017, the Clinic disposed of \$230,140 in prescription drug inventory because the drugs had reached expiration dates. During 2017 through 2018, due to reduction in patients after the passage of the Affordable Care Act, it is expected that significantly all of the remaining inventory of drugs will also be written off and destroyed as it expires.

The Clinic did not have any other subsequent events through August 14, 2017, which is the date the financial statements were available to be issued for events requiring recording or disclosure for the years ended December 31, 2016 and 2015.

See independent auditors report.