

**PRIMECARE COMMUNITY  
HEALTH, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

# **PRIMECARE COMMUNITY HEALTH, INC.**

YEARS ENDED DECEMBER 31, 2015 AND 2014

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## **Independent Auditor's Report**

Board of Directors  
PrimeCare Community Health, Inc.  
Chicago, Illinois

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

We have audited the accompanying financial statements of PrimeCare Community Health, Inc. (a nonprofit health care corporation) (PrimeCare), which comprise the balance sheet as of December 31, 2015 and 2014 and the related statements of operations, changes in net assets 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 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PrimeCare Community Health, Inc. as of December 31, 2015 and 2014 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 Matters**

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expense detail on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016, on our consideration of PrimeCare'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 PrimeCare's internal control over financial reporting and compliance.

*Ostrow Reisin Berk & Abrams, Ltd.*

Chicago, Illinois  
May 16, 2016

# PRIMECARE COMMUNITY HEALTH, INC.

## BALANCE SHEET

December 31,	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash	\$ 185,212	\$ 219,594
Patient accounts receivable, less allowance for uncollectible accounts of \$534,212 in 2015 and \$578,524 in 2014	1,429,589	583,132
Grants receivable	278,319	403,906
Other receivables	461,500	69,205
Prepaid expenses	13,111	17,502
Total current assets	2,367,731	1,293,339
Property and equipment, net	1,330,152	1,680,726
Investments	57,500	57,500
Security deposit	35,594	35,594
Total assets	\$ 3,790,977	\$ 3,067,159

*See notes to financial statements.*

# PRIMECARE COMMUNITY HEALTH, INC.

## BALANCE SHEET (CONTINUED)

December 31,	2015	2014
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 161,228	\$ 265,631
Accrued compensation	592,421	509,139
Other accrued liabilities	107,482	72,310
Note payable		50,000
Total current liabilities	861,131	897,080
Noncurrent liabilities:		
Deferred rent	102,911	77,593
Due to Saint Elizabeth Hospital	432,217	265,465
Total noncurrent liabilities	535,128	343,058
Total liabilities	1,396,259	1,240,138
Net assets:		
Unrestricted	2,334,078	1,787,021
Temporarily restricted	60,640	40,000
Total net assets	2,394,718	1,827,021
Total liabilities and net assets	\$ 3,790,977	\$ 3,067,159

See notes to financial statements.

# PRIMECARE COMMUNITY HEALTH, INC.

## STATEMENT OF OPERATIONS

Years ended December 31,	2015	2014
Changes in unrestricted net assets:		
Revenues, gains and other support:		
Patient service revenue	\$ 7,229,895	\$ 5,482,347
Provision for uncollectible accounts	692,678	493,685
Net patient service revenue	6,537,217	4,988,662
Grant revenue	2,083,069	2,296,596
Interest income		277
Other revenue	888,538	263,804
Net assets released from restrictions	47,940	255,000
Total revenues, gains and other support	9,556,764	7,804,339
Expenses:		
Salaries, wages and benefits	6,330,078	5,397,377
Medical and general supplies	521,583	226,339
Purchased services	904,538	702,608
Occupancy	631,702	609,266
Repairs and maintenance	87,657	71,518
Marketing		5,661
Insurance	28,733	28,586
Interest	19,437	7,193
Depreciation and amortization	395,418	282,393
Other	90,561	58,432
Total expenses	9,009,707	7,389,373
Excess of revenues over expenses and increase in unrestricted net assets	547,057	414,966
Changes in temporarily restricted net assets:		
Grant revenue	68,580	40,000
Net assets released from restrictions	(47,940)	(255,000)
Increase (decrease) in temporarily restricted net assets	20,640	(215,000)
Increase in net assets	\$ 567,697	\$ 199,966

*See notes to financial statements.*

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **STATEMENT OF CHANGES IN NET ASSETS**

<b>Years ended December 31, 2015 and 2014</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Balances, December 31, 2013	\$ 1,372,055	\$ 255,000	\$ 1,627,055
Increase (decrease) in net assets during the year ended December 31, 2014	414,966	(215,000)	199,966
<b>Balances, December 31, 2014</b>	<b>1,787,021</b>	<b>40,000</b>	<b>1,827,021</b>
<b>Increase in net assets during the year ended December 31, 2015</b>	<b>547,057</b>	<b>20,640</b>	<b>567,697</b>
<b>Balances, December 31, 2015</b>	<b>\$ 2,334,078</b>	<b>\$ 60,640</b>	<b>\$ 2,394,718</b>

*See notes to financial statements.*

# PRIMECARE COMMUNITY HEALTH, INC.

## STATEMENT OF CASH FLOWS

Years ended December 31,	2015	2014
Operating activities:		
Increase in net assets	\$ 567,697	\$ 199,966
Adjustments to reconcile above to cash provided by operating activities:		
Depreciation and amortization	395,418	282,393
Provision for uncollectible accounts	692,678	493,685
(Increase) decrease in operating assets:		
Patient accounts receivable	(1,539,135)	(468,976)
Grants receivable	125,587	(403,906)
Other receivables	(392,295)	32,263
Prepaid expenses	4,391	28,823
Security deposit		2,075
Increase (decrease) in operating liabilities:		
Accounts payable	(104,403)	154,679
Accrued compensation	83,282	102,017
Other accrued liabilities	35,172	16,538
Deferred rent	25,318	32,339
Due to Saint Elizabeth Hospital	166,752	52,138
Cash provided by operating activities	60,462	524,034
Investing activities:		
Purchase of investments		(7,500)
Purchases of property and equipment	(44,844)	(610,755)
Cash used in investing activities	(44,844)	(618,255)

See notes to financial statements.

# PRIMECARE COMMUNITY HEALTH, INC.

## STATEMENT OF CASH FLOWS (CONTINUED)

Years ended December 31,	2015	2014
Financing activity:		
Payments on note payable	\$ (50,000)	
Cash used in financing activity	(50,000)	
Decrease in cash	(34,382)	\$ (94,221)
Cash, beginning of year	219,594	313,815
Cash, end of year	\$ 185,212	\$ 219,594
Supplemental disclosure of cash flow information:		
Non-cash financing of investment		\$ 50,000

*See notes to financial statements.*

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization**

PrimeCare Community Health, Inc. (PrimeCare) was incorporated on April 21, 1992, to provide health care services that principally serve the medically underserved members of the communities it serves. PrimeCare operates in the near Northwest Chicago community. PrimeCare's Board of Directors is comprised mainly of active users of PrimeCare and representatives of the community served by PrimeCare.

PrimeCare is a Federally Qualified Health Center (FQHC) and a health center program grantee under Section 330 of the Public Health Service Act (42 U.S.C. §254b) and also a deemed Public Health Service employer under 52 U.S.C.233(g)-(n). Presently, PrimeCare operates five sites.

### **2. Summary of significant accounting policies**

#### **Basis of accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Financial statement presentation:**

PrimeCare presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities and ASC 954, Health Care Entities. Accordingly, PrimeCare reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

#### Unrestricted net assets:

Unrestricted net assets include unrestricted resources, which represent the portion of funds that are available for the operating objectives of PrimeCare.

#### Temporarily restricted net assets:

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received and such unexpended amounts are reported as temporarily restricted net assets at year-end. As of December 31, 2015 and 2014, there was \$60,640 and \$40,000 of temporarily restricted net assets, respectively.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Financial statement presentation: (continued)

##### Permanently restricted net assets:

Permanently restricted net assets consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. PrimeCare had no permanently restricted net assets at December 31, 2015 and 2014.

##### **Cash:**

PrimeCare maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At December 31, 2015 and 2014, PrimeCare had approximately \$27,000 and \$17,000, respectively, in excess of federally-insured limits. PrimeCare has not experienced any losses in such accounts. Management believes that PrimeCare is not exposed to any significant credit risk on cash.

##### **Patient accounts receivable:**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. 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 accounts receivable. Changes in the valuation allowance are as follows:

Years ended December 31,	2015	2014
Balance, beginning of year	\$ 578,524	\$ 469,029
Receivables written off	(736,990)	(384,190)
Add provision for uncollectible accounts	692,678	493,685
Balance, end of year	\$ 534,212	\$ 578,524

##### **Grants receivable:**

Grants receivable represent unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Property and equipment and related depreciation and amortization:**

PrimeCare capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received.

Leasehold improvements are amortized over the lesser of the term of the lease or the estimated life of the improvements. Depreciation of equipment is provided using the straight-line method over the estimated useful lives of the assets, which range from 3-5 years.

#### **Net patient service revenue:**

PrimeCare has agreements with third-party payors that provide for payments to PrimeCare at amounts different from its established rates. Payment arrangements include prospectively determined rates per visit, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

#### **Contributions:**

Contributions, including unconditional promises to give, are recognized as revenue in the period received and recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor-imposed restrictions. Temporarily restricted support is reclassified to unrestricted net assets upon satisfaction of the restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period in which the revenue is recognized.

PrimeCare records in-kind donations at fair value at the time of the donation.

#### **EHR Incentive payments:**

The American Recovery and Investment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **EHR Incentive payments: (continued)**

Eligibility for annual Medicaid incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

PrimeCare recognizes HITECH incentive payments as revenue under the grant accounting model when it is reasonably assured that the meaningful use objectives have been achieved. PrimeCare's compliance with the meaningful use criteria is subject to audit by the federal government.

#### **Provisions for community service and care to the indigent:**

PrimeCare has a policy in place to determine which patients will receive health care services on a sliding fee scale. These services represent charity care and are excluded from net patient service revenue. PrimeCare maintains records to identify and monitor the level of charity care provided, which is measured by the amount of estimated costs incurred to provide these services. These costs totaled approximately \$919,000 and \$597,000 for the years ended December 31, 2015 and 2014, respectively.

#### **Tax status:**

PrimeCare is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue (IRS) has determined that PrimeCare is not a private foundation within the meaning of Section 509(a) of the Code.

PrimeCare has adopted the requirements for accounting for uncertain tax positions and management has determined that PrimeCare was not required to record a liability related to uncertain tax positions as of December 31, 2015 and 2014.

#### **Malpractice claims:**

The employees of PrimeCare are covered under the Federal Tort Claims Act (FTCA) from any malpractice claims. Presence Health provides primary malpractice insurance for their faculty attending physicians and residents. The FTCA also covers the activities of Presence Health employees while practicing in PrimeCare clinics. In addition, PrimeCare purchases FTCA gap coverage on all PrimeCare employees practicing in their clinics.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### 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.

#### Reclassification:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

### 3. Contractual arrangements with third-party payors

PrimeCare provides care to patients under Medicare, Medicaid and various health maintenance and preferred provider organization contractual arrangements and programs. Payments under these arrangements and programs are based on either a cost-based encounter rate, a per-member per month capitated rate or a rate based on a percentage of charges. The difference between charges for services rendered and the estimated payments under these arrangements and programs is excluded from net patient service revenue.

The percentages of net patient accounts receivable applicable to contractual arrangements are as follows:

December 31,	2015	2014
Medicare	12%	12%
Medicaid	6%	19%
Medicaid Managed Care	34%	24%
Managed Care	3%	4%
Commercial	15%	7%
Other	30%	34%

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Contractual arrangements with third-party payors (continued)

The percentages of net patient service revenue applicable to contractual arrangements are as follows:

Years ended December 31,	2015	2014
Medicare	7%	7%
Medicaid	9%	31%
Medicaid Managed Care	59%	34%
Managed Care	5%	3%
Commercial	10%	9%
Other	10%	16%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

Management believes that PrimeCare is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

### 4. Capitation revenue

PrimeCare has a capitation arrangement with Presence Health Partners (PHP) whereby PrimeCare does not carry any of the risk for the provision of health services to plan members. Under the arrangement, PrimeCare receives capitation premium payments per enrollee assigned to them. Capitation revenue is recorded as part of patient service revenue in the statement of operations.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Property and equipment

Property and equipment are as follows:

December 31,	2015	2014
Leasehold improvements	\$ 1,288,565	\$ 1,292,375
Equipment	1,362,325	1,344,266
Construction in progress	30,595	
	2,681,485	2,636,641
Less accumulated depreciation and amortization	1,351,333	955,915
Property and equipment, net	\$ 1,330,152	\$ 1,680,726

### 6. Investments

During the year ended December 31, 2014, PrimeCare purchased investments of certain privately-held companies in the health care industry that are accounted for using the cost method. The aggregate cost of the investments totaled \$57,500 at December 31, 2015 and 2014. The investments can only be liquidated upon 90-day notice.

### 7. Note payable

During the year ended December 31, 2014, PrimeCare financed the purchase of one of its investments for \$50,000 with a privately-held company in the health care industry (see Note 6). The unsecured note payable with all accrued interest at 1.93%, compounded annually, was paid in full in 2015.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **8. Affiliation, management and loan agreements**

PrimeCare entered into an Affiliation Agreement (agreement) with Presence Saints Mary and Elizabeth Medical Center (the Hospital), an affiliate of Presence Healthcare Services. The agreement outlines the commitment of PrimeCare and the Hospital to work collaboratively to foster their shared charitable missions. The agreement expires on December 31, 2016.

The agreement also provides for a contingency arrangement in recognition of the capital invested in PrimeCare by the Hospital and the restructuring of the debt owed by PrimeCare to the Hospital. PrimeCare agrees to make a payment to the Hospital in the amount of \$1,000,000 should PrimeCare enter into an agreement or transaction which would cause PrimeCare to cease to be a Federally Qualified Health Center, substantially impair the ability of PrimeCare to continue its charitable mission to deliver primary care services to patients, cease to provide services to those who reside in the near Northwest Chicago community or affiliate, merge, consolidate or enter into any agreement with any other health care provider.

The agreement will terminate at the end of the term of the agreement or in the event that either PrimeCare or the Hospital does not comply with the provisions of the agreement.

On October 15, 1992, PrimeCare executed a Loan and Security Agreement with the Hospital. Under the terms of the agreement, the Hospital, at its sole discretion, had agreed to make available to PrimeCare revolving loans in amounts up to \$750,000 in total. Additionally, all revolving loans outstanding are payable upon termination of the agreement. Interest is charged at the greater of 6% or the market rate. The agreement expires on December 31, 2016.

At December 31, 2015 and 2014, PrimeCare owed the Hospital \$432,217 and \$265,465, respectively, including accrued interest. The Hospital contributed \$200,000 of grant revenue, primarily in the form of use of facilities and services, to PrimeCare for the year ended December 31, 2014.

PrimeCare and the Hospital also entered into a Management Services Agreement. This agreement summarizes the specific arrangements between the Hospital and PrimeCare for shared facilities and services to be provided. During 2015 and 2014, the Hospital paid \$292,260 and \$452,356, respectively, on behalf of PrimeCare. PrimeCare reimbursed the Hospital accordingly on a monthly basis. The agreement expires on December 31, 2016.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **9. Employees retirement plan**

PrimeCare established an Employees Retirement Plan under Internal Revenue Code Section 403(b) Tax Deferred Annuity covering substantially all eligible employees. PrimeCare contributes 2% of eligible employees' base salary, plus a match of 25% of employee 403(b) contributions up to a maximum of 3% of annual base salary. The participating employees choose and decide on their investment plan. Participants may contribute up to the limits allowed by the Internal Revenue Code from year-to-year. PrimeCare's total expenses related to the plan were \$103,322 and \$83,767 for the years ended December 31, 2015 and 2014, respectively.

### **10. Functional expenses**

Expenses incurred for providing health care services and patient education during 2015 and 2014 totaled \$7,414,073 and \$6,022,027, respectively. Expenses incurred for management and general expenses during 2015 and 2014 totaled \$1,563,492 and \$1,326,343, respectively. Expenses incurred for fundraising during 2015 and 2014 totaled \$32,142 and \$41,003, respectively.

### **11. Operating leases**

PrimeCare leases certain equipment and space for its health centers under various operating leases.

Two operating leases with the Hospital (see Note 8) are on a month-to-month basis.

Beginning September 1, 2010, PrimeCare entered into an operating lease with Presence Healthcare Services for its Portage Park site, at an annual base rent of \$1. The agreement expired on August 31, 2015. Effective January 1, 2015, the Portage Park site has new ownership. As of the date of the financial statements, PrimeCare did not sign a new agreement. PrimeCare continues to record contributed rent and rental expenses under the terms of the old agreement. PrimeCare recorded contributed rent and rental expense related to this leasing agreement of \$47,767 for each of the years ended December 31, 2015 and 2014.

Beginning July 1, 2012, PrimeCare entered into an operating lease for its Northwest site. The lease is for a term of fifteen years, expiring on June 30, 2027. The lease includes the option to extend the lease for three additional five-year terms. The lease also contains a right of first option to purchase the entire plaza that includes the space leased by PrimeCare.

Beginning August 1, 2013, PrimeCare entered into an operating lease with Presence Healthcare Services for its Fullerton site, extending through July 31, 2018.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Operating leases (continued)

Future minimum rental payments under the lease agreements are as follows:

Year ending December 31:	Other	Presence	Total
2016	\$ 193,980	\$ 31,000	\$ 224,980
2017	198,840	33,400	232,240
2018	203,790	20,300	224,090
2019	208,860		208,860
2020	214,080		214,080
Thereafter	1,527,480		1,527,480
Total	\$ 2,547,030	\$ 84,700	\$ 2,631,730

Total rental expense amounted to \$515,698 and \$512,867 for the years ended December 31, 2015 and 2014, respectively.

### 12. Electronic Health Records (EHR)

On December 31, 2011, PrimeCare executed a Physician Practice EHR Agreement with Presence Saints Mary and Elizabeth Medical Center (the Hospital) for the installation, implementation, licensing and access to the electronic health record software. The agreement is for an initial term of five years, ending on December 31, 2016 and will automatically renew for an additional one-year period unless terminated by either party.

The gross software set up and implementation costs have been capitalized and are included in property and equipment as of December 31, 2015 and 2014.

### 13. Subsequent events

Management of PrimeCare has reviewed and evaluated subsequent events from December 31, 2015, the financial statement date, through May 16, 2016, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

**ADDITIONAL INFORMATION**

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **SCHEDULE OF EXPENSE DETAIL**

<b>Years ended December 31,</b>	<b>2015</b>	<b>2014</b>
Audit and legal fees	\$ <b>80,638</b>	\$ 27,741
Billing and payroll services	<b>216,384</b>	411,579
Depreciation and amortization	<b>395,418</b>	282,393
Employee benefits and payroll taxes	<b>1,116,551</b>	943,411
General supplies	<b>60,720</b>	46,092
Insurance	<b>28,733</b>	28,586
Interest	<b>19,437</b>	7,193
Marketing		5,661
Medical supplies and services	<b>460,863</b>	180,247
Other expenses	<b>90,561</b>	58,432
Other purchased services	<b>607,516</b>	263,288
Rent	<b>515,698</b>	512,867
Repairs and maintenance	<b>87,657</b>	71,518
Salaries and wages	<b>5,213,527</b>	4,453,966
Utilities and storage	<b>116,004</b>	96,399
<b>Total expenses</b>	<b>\$ 9,009,707</b>	<b>\$ 7,389,373</b>