

**PRIMECARE COMMUNITY  
HEALTH, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

# **PRIMECARE COMMUNITY HEALTH, INC.**

YEARS ENDED DECEMBER 31, 2017 AND 2016

## CONTENTS

	Page
<b>Independent auditors' report</b>	1-2
<b>Financial statements:</b>	
Balance sheets	3-4
Statements of operations	5-6
Statements of changes in net assets	7
Statements of cash flows	8-9
Notes to financial statements	10-19



## **Independent Auditors' Report**

Board of Directors  
PrimeCare Community Health, Inc.

### **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 sheets as of December 31, 2017 and 2016, 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.

### ***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 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, 2017 and 2016, 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 April 23, 2018, 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 solely 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.*

April 23, 2018

# PRIMECARE COMMUNITY HEALTH, INC.

## BALANCE SHEETS

December 31,	2017	2016
ASSETS		
Current assets:		
Cash	\$ 821,366	\$ 109,791
Patient accounts receivable, less allowance for uncollectible accounts of \$586,580 in 2017 and \$425,210 in 2016	1,549,591	2,079,041
Grants receivable	288,745	250,750
Other receivables	511,130	337,822
Prepaid expenses	214,303	141,832
Total current assets	3,385,135	2,919,236
Property and equipment, net	1,721,355	1,513,387
Investments	57,500	57,500
Security deposits	113,944	124,994
Total assets	\$ 5,277,934	\$ 4,615,117

*See notes to financial statements.*

# PRIMECARE COMMUNITY HEALTH, INC.

## BALANCE SHEETS (CONTINUED)

December 31,	2017	2016
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Capital lease obligations, current portion	\$ 34,741	
Accounts payable	305,276	\$ 527,595
Accrued compensation	853,788	732,849
Accrued expenses	165,693	58,918
Due to Saint Elizabeth Hospital	979,331	636,244
Total current liabilities	2,338,829	1,955,606
Noncurrent liabilities:		
Capital lease obligations, net of current portion	154,709	
Deferred rent	132,007	121,089
Total noncurrent liabilities	286,716	121,089
Total liabilities	2,625,545	2,076,695
Net assets:		
Unrestricted	2,597,602	2,525,561
Temporarily restricted	54,787	12,861
Total net assets	2,652,389	2,538,422
Total liabilities and net assets	\$ 5,277,934	\$ 4,615,117

See notes to financial statements.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **STATEMENTS OF OPERATIONS**

<b>Years ended December 31,</b>	<b>2017</b>	<b>2016</b>
Changes in unrestricted net assets:		
Revenues, gains and other support:		
Patient service revenue	\$ 9,423,498	\$ 8,311,606
Less provision for uncollectible accounts	1,498,570	1,511,604
Net patient service revenue	7,924,928	6,800,002
Grant revenue	2,699,527	2,250,281
340B contract pharmacy revenue	2,084,049	1,491,895
Other revenue	229,614	340,360
Net assets released from restrictions	24,074	47,779
Total revenues, gains and other support	12,962,192	10,930,317

*See notes to financial statements.*

# PRIMECARE COMMUNITY HEALTH, INC.

## STATEMENTS OF OPERATIONS (CONTINUED)

Years ended December 31,	2017	2016
Expenses:		
Personnel expenses:		
Salaries and wages	\$ 7,307,603	\$ 6,370,928
Employee benefits	1,567,648	1,351,376
Contracted providers	137,031	
Total personnel expenses	9,012,282	7,722,304
Medical supplies and services	909,031	596,679
340B supplies	469,419	359,769
General supplies	125,049	85,715
Purchased services	399,882	438,099
Rent	891,070	665,537
Other occupancy expenses	108,032	103,783
Repairs and maintenance	137,730	122,282
Insurance expense	45,148	36,552
Interest expense	38,728	22,259
Depreciation and amortization	531,515	386,343
Other expenses	222,265	199,512
Total expenses	12,890,151	10,738,834
Excess of revenues over expenses and increase in unrestricted net assets	72,041	191,483
Changes in temporarily restricted net assets:		
Grant revenue	66,000	
Net assets released from restrictions	(24,074)	(47,779)
Increase (decrease) in temporarily restricted net assets	41,926	(47,779)
Increase in net assets	\$ 113,967	\$ 143,704

See notes to financial statements.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **STATEMENTS OF CHANGES IN NET ASSETS**

<b>Years ended December 31, 2017 and 2016</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Balances, January 1, 2016	\$ 2,334,078	\$ 60,640	\$ 2,394,718
Increase (decrease) in net assets	191,483	(47,779)	143,704
<b>Balances, December 31, 2016</b>	<b>2,525,561</b>	<b>12,861</b>	<b>2,538,422</b>
<b>Increase in net assets</b>	<b>72,041</b>	<b>41,926</b>	<b>113,967</b>
<b>Balances, December 31, 2017</b>	<b>\$ 2,597,602</b>	<b>\$ 54,787</b>	<b>\$ 2,652,389</b>

*See notes to financial statements.*

# PRIMECARE COMMUNITY HEALTH, INC.

## STATEMENTS OF CASH FLOWS

Years ended December 31,	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 113,967	\$ 143,704
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	531,515	386,343
Loss on disposal of fixed assets	63,251	
Provision for uncollectible accounts	1,498,570	1,511,604
Deferred rent	10,918	18,178
(Increase) decrease in operating assets:		
Patient accounts receivable	(969,120)	(2,161,056)
Grants receivable	(37,995)	27,569
Other receivables	(173,308)	123,678
Prepaid expenses	(72,471)	(128,721)
Security deposits	11,050	(89,400)
Increase (decrease) in operating liabilities:		
Accounts payable	(222,319)	366,367
Accrued compensation	120,939	140,428
Accrued expenses	106,775	(48,564)
Net cash provided by operating activities	981,772	290,130
Cash flows from investing activity:		
Purchases of property and equipment	(607,203)	(569,578)
Net cash used in investing activity	(607,203)	(569,578)

See notes to financial statements.

# **PRIMECARE COMMUNITY HEALTH, INC.**

## **STATEMENTS OF CASH FLOWS (CONTINUED)**

<b>Years ended December 31,</b>	<b>2017</b>	<b>2016</b>
Cash flows from financing activities:		
Payments on capital lease obligations	\$ (6,081)	
Due to Saint Elizabeth Hospital	<b>343,087</b>	\$ 204,027
Net cash provided by financing activities	<b>337,006</b>	204,027
Net increase (decrease) in cash	<b>711,575</b>	(75,421)
Cash, beginning of year	<b>109,791</b>	185,212
Cash, end of year	\$ <b>821,366</b>	\$ 109,791
Supplemental disclosure of cash flow information:		
Acquisition of equipment under capital lease obligations	\$ <b>195,531</b>	

*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, principally to underserved members of the community. PrimeCare operates on the North and Northwest sides of Chicago. 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 and also a deemed Public Health Service employer.

On August 1, 2016, PrimeCare acquired its Wicker Park site from Presence Saints Mary and Elizabeth Medical Center (PSMEMC or the Hospital), an affiliate of Presence Health, a health system of affiliated entities that own and operate hospitals, nursing homes, physician practices, clinics, diagnostic centers, home health, hospice and other healthcare services. Prior to this acquisition, the site operated as PSMEMC's family medicine residency teaching site. In the acquisition, PrimeCare acquired all of the support staff, equipment, and the practice. PrimeCare has operational control over the site, but contracts with PSMEMC as a residency rotation site in which its family medicine faculty and residents practice.

As of December 31, 2017, PrimeCare operated eight 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.

#### **Cash:**

PrimeCare maintains its cash in bank accounts which, at times, may exceed federally-insured limits. PrimeCare had approximately \$745,000 and \$27,000 in excess of federally-insured limits at December 31, 2017 and 2016, respectively. Management believes that PrimeCare is not exposed to any significant credit risk on cash.

#### **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. There was no allowance for uncollectible accounts as of December 31, 2017 and 2016.

# **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 recorded using the straight-line method over the estimated useful lives of the assets, which range from 3-5 years.

#### **Deferred rent:**

PrimeCare records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent.

#### **Net assets:**

Net assets are classified as follows:

**Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of PrimeCare or that expire by the passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they are to be maintained permanently by PrimeCare. PrimeCare had no permanently restricted net assets at December 31, 2017 and 2016.

#### **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.

# **PRIMECARE COMMUNITY HEALTH, INC.**

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

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

#### **Charity care:**

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 \$674,000 and \$643,000 for the years ended December 31, 2017 and 2016, respectively.

#### **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.

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. PrimeCare recognized \$170,000 and \$250,750 for the years ended December 31, 2017 and 2016, 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 Service (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, 2017 and 2016.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### 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. In addition, PrimeCare purchases gap coverage on all PrimeCare employees practicing in their clinics.

#### 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. PrimeCare's estimated allowance for uncollectible patient accounts receivable is particularly sensitive to changes in the near term. Accordingly, actual results could differ from those estimates.

#### Subsequent events:

Management of PrimeCare has evaluated subsequent events through April 23, 2018, the date the financial statements were available to be issued.

### 3. Property and equipment

Property and equipment are as follows:

December 31,	2017	2016
Leasehold improvements	\$ 1,305,103	\$ 1,293,065
Equipment	2,080,838	1,915,998
	3,385,941	3,209,063
Less accumulated depreciation and amortization	1,716,586	1,737,676
Construction in progress	52,000	42,000
Property and equipment, net	\$ 1,721,355	\$ 1,513,387

# **PRIMECARE COMMUNITY HEALTH, INC.**

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

### **4. Investments**

Investments consist of investments in 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, 2017 and 2016. The investments can only be liquidated upon 90-day notice.

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

PrimeCare entered into an Affiliation Agreement (agreement) with the Hospital. The agreement outlines the commitment of PrimeCare and the Hospital to work collaboratively to foster their shared charitable missions. The agreement expires on June 30, 2018.

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.

PrimeCare has a Loan and Security Agreement (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 June 30, 2018.

At December 31, 2017 and 2016, PrimeCare owed the Hospital \$979,331 and \$636,244, respectively, including accrued interest.

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 2017 and 2016, the Hospital paid \$480,739 and \$416,302, respectively, on behalf of PrimeCare. PrimeCare reimbursed the Hospital accordingly on a monthly basis. The agreement expires on June 30, 2018.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Net patient service revenue

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.

Net patient service revenue, net of contractual allowances and discounts, is reduced by the provision for uncollectible accounts, and net patient accounts receivable are reduced by an allowance for uncollectible accounts. These amounts are based primarily on management's assessment of historical and expected write-offs and net collections, along with the aging status for each major payor source. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. After all reasonable collection efforts have been exhausted, accounts receivable are written off and charged against the allowance for uncollectible accounts.

The percentages of net patient accounts receivable before deducting estimated uncollectible accounts are as follows:

December 31,	2017	2016
Medicare	6 %	11 %
Medicaid	7	6
Medicaid Managed Care	34	43
Managed Care	4	0
Commercial	15	12
Other	34	28
Total	100 %	100 %

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Net patient service revenue (continued)

The percentages of net patient service revenue before deducting provisions for uncollectible accounts are as follows:

Years ended December 31,	2017	2016
Medicare	7 %	8 %
Medicaid	5	7
Medicaid Managed Care	43	42
Managed Care	11	12
Commercial	19	17
Other	15	14
Total	100 %	100 %

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.

### 7. Capitation revenue

PrimeCare had a capitation arrangement with Presence Health Partners (PHP) whereby PrimeCare did not carry any of the risk for the provision of health services to plan members. Under the arrangement, PrimeCare received capitation premium payments per enrollee assigned to them. Capitation revenue was recorded as part of patient service revenue in the statements of operations. The agreement expired in September 2017.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. 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 contributions related to the plan were \$120,460 and \$105,680 for the years ended December 31, 2017 and 2016, respectively.

### 9. Functional expenses

Expenses incurred for providing health care services and patient education during 2017 and 2016 totaled \$10,467,297 and \$8,652,070, respectively. Expenses incurred for management and general expenses during 2017 and 2016 totaled \$2,382,090 and \$2,050,285, respectively. Expenses incurred for fundraising during 2017 and 2016 totaled \$40,764 and \$36,479, respectively.

### 10. Operating leases

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

Site	Lease expiration	Renewal option	Purchase Option
Leased from Presence Health:			
West Town	Month-to-month		
Michellini	June 30, 2018	Automatic one year, annually	
Wicker Park	July 31, 2018	Automatic one year, annually	
Fullerton	July 31, 2018		
Dental	August 31, 2018		
Leased from unrelated third parties:			
Hamlin	Month-to-month		
Portage Park	Month-to-month		
Administration	September 14, 2019	One year term	
Northwest	June 30, 2027	Three five-year terms	Right of first refusal

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Operating leases (continued)

The lease for Portage Park is at an annual base rent of \$1 and there is no rent for the lease at Hamlin. Contributed rent income and expense was \$84,389 and \$83,833 for the years ended December 31, 2017 and 2016, respectively.

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

Year ending December 31:	Other	Presence	Total
2018	\$ 341,734	\$ 136,331	\$ 478,065
2019	302,644		302,644
2020	214,080		214,080
2021	219,450		219,450
2022	224,940		224,940
Thereafter	1,083,090		1,083,090
Total	\$ 2,385,938	\$ 136,331	\$ 2,522,269

Total rent expense amounted to \$891,070 and \$665,537 for the years ended December 31, 2017 and 2016, respectively. Rent expense under leases with Presence Health totaled \$358,255 and \$257,735 for the years ended December 31, 2017 and 2016, respectively.

In December 2016, PrimeCare entered into a lease agreement with an unrelated third party for a new location for the Portage Park site. The commencement date of the lease is pending completion of renovations to the building. The term of the lease will be 20 years from that date, and includes two 10-year renewal options, as well as an option to purchase the building. Minimum rental payments under the lease will be based on construction costs to renovate the building, as well as a base amount per square foot leased by PrimeCare.

# PRIMECARE COMMUNITY HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Capital lease

In November 2017, PrimeCare entered into a capital lease for the acquisition of equipment. The total cost of equipment capitalized under the lease was \$195,531 as of December 31, 2017. Amortization expense for the year ended December 31, 2017 was \$6,518, which is included in depreciation and amortization expense.

Future minimum lease payments under the agreement is as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2018	\$ 42,000
2019	42,000
2020	42,000
2021	42,000
2022	35,000
<hr/>	
Total gross remaining lease obligation	203,000
<u>Less amount representing interest</u>	<u>(13,550)</u>
<hr/>	
<u>Present value of capital lease obligation</u>	<u>\$ 189,450</u>

### 12. Electronic Health Records (EHR)

PrimeCare has in place a Physician Practice EHR Agreement with the Hospital for the installation, implementation, licensing and access to the electronic health record software. The agreement was for an initial term of five years, which ended on December 31, 2017 and renews annually for an additional one-year period unless terminated by either party. The agreement was renewed for an additional six months through June 30, 2018.

In December of 2017, PrimeCare implemented a new electronic health record system with a third party service provider. The initial service and licensing agreement ends on June 30, 2018, and renews annually for an additional one-year period unless terminated by either party.